

Azerbaijan

Baseline Assessment of Municipalities

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1. Executive Summary

Under Cooperative Agreement No. 112-A-00-01-00022-00 with the United States Agency for International Development (USAID), IFES seeks to enhance the clarity of the legal framework concerning structures of local self-governance and to promote good practices by building the capacity of select municipal councils, thereby creating a set of model municipalities. Recognizing that each municipality must function within a different context IFES is working with five select municipal councils in 2002 and nine in 2003 to address problems and concerns identified by each, while encouraging networking opportunities that promote the exchange of best practices.

From April to May 2002, IFES Local Governance Specialist Katherine Triantafillou and IFES Azerbaijan Legal Advisor Kamran Baghirov conducted a Baseline Assessment of Municipalities that focused on the legal framework and the capacity of each of the five different municipalities – Barda, Ismayilli, Khatai, Masalli, and Mingachevir - with which IFES works (See Figure). IFES Program Officer Jeffrey Carlson compiled and edited the findings. The resulting Baseline Assessment focuses on the legal and regulatory framework



IFES TARGET MUNICIPALITIES

for municipal governments, the strengths and weaknesses of management and decision-making structures, constituency outreach, service provision, and other relevant issues. Based on these findings, this Assessment presents recommendations for future technical assistance.

The legal framework in Azerbaijan is incomplete and fails to promote an effective and coherent system of local government. The laws fail to provide a clear division of powers between the appointed local executive authorities and elected municipal councils. They are absent many provisions required to provide an effect structure and mandates for municipal management. Further, municipal councils themselves need the capacity to generate resolutions that take into account unique issues of local concern.

Each of the selected municipalities has a basic foundation for future development with some having a greater capacity than others, and a good understanding of the existing legal framework regulating them. This could be due in part to the Compilation of Local Governance Legislation published and disseminated by IFES in 2001 and 2002. The municipalities each elect officers, maintain permanent commissions, have a charter, keep minutes of their meetings, and, to some degree, involve the public in their work. Many municipal members are highly educated and several of them have had previous experience dating back to the Soviet system. All municipalities have adopted budgets and to the extent

allowed under the law, collected taxes. The majority of municipal councilors appear to be aware of the basic needs of their citizens and have demonstrated an interest in developing programs to serve the public.

Although each of the municipalities has a solid foundation on which to develop and a demonstrated interest in reform, they lack adequate power and revenue to function as independent entities. Each of the municipalities shared the following challenges:

1. The existence of the local executive authority as a parallel, and in some cases duplicative, form of local government is the biggest problem.
2. The municipalities lack resources as the national government has yet to transfer property to the municipalities as stipulated in the law; the process of allocating subsidies from the national government to the municipality is unclear and municipal members do not always know how much and when payments will be made, and there is confusion over the collection of taxes.
3. Municipalities are expected to solve the social problems endemic to the country¹ without the requisite resources to do so.
4. The municipalities face difficulties in managing and budgeting the resources they have available to provide services to their constituents.
5. There is little public participation in municipal decision-making, thereby hindering their ability to identify and prioritize appropriate services.
6. Municipalities in Azerbaijan tend to act independently of each other, lacking sufficient networking and information-sharing opportunities.

In short, while providing a baseline for measuring the success of IFES work with each of the select municipal councils, this Assessment examines whether, and to what extent, they are functioning, and identifies areas for future work.

For more detailed information on the legal and regulatory framework and the municipalities with which IFES works, please visit the IFES Azerbaijan website at www.ifesaze.org; or contact IFES Azerbaijan Local Governance Advisor Anna Wiktorowska in Baku at anna@ifesaze.org.

¹ See, e.g. the recent report issued by the Republic of Azerbaijan “defin[ing] the role of municipalities in the process of poverty reduction.” Sector Policy Note, State Program on Poverty Reduction, *Role of Municipalities in Poverty Reduction of the Population*, Baku – 2002.

2. Introduction

On November 12, 1995 the Constitution of the Republic of Azerbaijan that set forth the framework of government was adopted by popular referendum. The main components of the government include executive, legislative and judicial powers that reside primarily in the Executive Authority (President), the *Milli Majlis* (parliament) and the courts. Although the language of the constitution is premised on popular sovereignty,² and the joint and independent authority of each branch of government,³ in reality the President is the dominant actor in Azerbaijan.

This type of executive authority is also exercised on two lower levels of government, the district and local level. The President appoints administrators for each level of government called the Executive Authority. According to the law, these Executive Authorities are charged with the implementation of the State program. In addition, the Local executive authority (LEA) has a council that participates in decision-making in an advisory capacity.⁴ Executive Authorities are financed by the state and provided resources, including office buildings, to carry out their duties. See Attachment One for a chart outlining the governing structures.

The Constitution of Azerbaijan also contains provisions relating to municipal government. The initial Constitutional pronouncements regarding municipalities are included in the *Law of the Azerbaijan Republic on Status of Municipalities* and other later laws passed by parliament and/or decrees issued by the President.⁵ Significantly, the *Status Law*⁶ defines “local self government” as a “*non-government*⁷ system of organizing citizens’ activity that grants to its citizens the ability to resolve important local issues independently and freely (emphasis added).”

The first municipal elections in Azerbaijan were held in December 1999. Over 21,000 municipal members were elected from 2,667 municipalities.⁸ The number of councilors elected from each municipality depended upon the size of the population according to a formula established by the Central Election Commission (CEC). Since they are based on a combination of population and existing geographical boundaries, some cities have several municipalities.

² “The Azerbaijan people shall be the sole source of state power in the Azerbaijan Republic.” *Article 1, First Chapter, General Provisions, Constitution of the Republic of Azerbaijan (1995)*.

³ “According to the Constitutional Provisions Executive, Legislative and Judicial powers shall jointly cooperate and be independent within the framework of their authority.” *Article 7 Azerbaijan State. Section II Fundamental of the State, Constitution of the Republic of Azerbaijan (1995)*.

⁴ See *Article 9 Council under the head of local executive authorities, 2, Regulation on Local State Executive Authority* (16 July 1999). “For the purpose of consideration of economic, social, cultural and other local issues of a district, town, town district and working out of proposals on their solution, head of executive establishes a standing consultative body-Council. Number of members of the Council can be up to 15 people.

⁵ There are approximately thirty (30) laws regarding municipal government. A list of those documents is in the Appendix. In addition, Azerbaijan’s tax code and basic property law contain significant provisions pertaining to municipalities.

⁶ *Law No. 698-IQ of the Azerbaijan Republic on Status of Municipalities – 2 July 1999*.

⁷ There appears to be a distinction between local self-government as non-governmental municipal bodies and local government as local executive authorities.

⁸ Eurasia Foundation, *Framework for Municipal Elections – Azerbaijan 1999*, p. 1, www.eurasianet.org/departments/election/azerbaijan/bazlocal1129.html (April 27, 2002).

What has thus been created is something truly unique or “Azeri.”⁹ This type of parallel power where “local self-government” is elected by the community and “local executive authority” is appointed by the national president is extremely rare and is complicated by the fact that the division of responsibilities between the two bodies is unclear.

2.1 Methodology

In 2002, IFES selected five municipalities with which to work based on previous experience in Azerbaijan, receptivity for assistance, and level of development. Seeking to effectively utilize this opportunity to develop an effective model for local governance reform, IFES also sought to choose municipalities that represent a cross section in Azerbaijan.

IFES first addressed the basic legal and regulatory framework of municipal structures in Azerbaijan. The body of law governing municipal governance covers approximately 30 legal documents, in addition to other laws such as the tax code, promulgated by the government since 1995. For the purpose of this assessment, IFES focused primarily on a set of 14 legal documents. IFES also consulted with representatives of the *Milli Majlis* Permanent Commission on Regional Issues and other experts.

IFES also visited each of five select municipalities multiple times. An Assessment Grid (Attachment Five), or list of basic questions, was utilized for the purpose of eliciting information pertinent to the three primary target areas: (1) Management and Decision-Making Structure; (2) Constituency Outreach; and (3) Service Provision. Demographics and infrastructure was also considered in order to more fully understand the operations of the municipality. While not exhaustive, the Assessment Grid provides a subjective point of departure by identifying many of the important issues of municipal governance. The questions were subjective and based on the responses given by the municipal members being interviewed, therefore not all questions were asked of each member. IFES also collected materials from each municipality such as a copy of their Charter, sample minutes, a map of the municipality, their budget, and any other written documentation of the council’s activities. In addition to site visits, data was collected during the IFES Municipal Council Training Seminar in Baku from April 22 –23, 2002.

2.2 Historical/Cultural Context of Municipal Development

The form and function of modern day municipalities is rooted in ancient Greece or Rome. Not only was democracy born in ancient Athens, but also the Greek city-state, the *polis*, was a unique formation of city that highlighted civic engagement. It was the first time that residents of a city had obligations and responsibilities as *citizens*. The Romans added organization and planning, which is reflected both in the laws that were codified and the architectural elements that were transplanted to each urban area colonized by the Empire.

While cities in Europe were built around these common traditions, municipalities in Azerbaijan took new directions with each new ruler, whether the Ottomans and Persians, Russians, or Soviets. In the 19th century, Russian forcibly replaced the Ottomans and Persians, imposing their own set of cultural norms and urban constructs on the Azeri people. The Russian Duma controlled Azerbaijan through provincial governors, while Russian oil

⁹ *Interview with Professor Zahid I. Garalov*, Chair Permanent Parliamentary Commission on Regional Issues, Baku, September 29, 2002.

barons built grand buildings using the familiar grid of western streets. Regulations regarding cities were promulgated in 1870 and city dumas were eventually allowed to exercise authority over construction, fire-prevention, and health and education and tax collection. The “City Regulations” of 1870 allowed people to participate in government or the дума through a complex system of quotas based on taxes paid.

Reforms by Alexander III increased the property tax qualification, adding a one-year residency requirement as well as language and religious criteria in favor of Russian speaking Christians. With the exception of minor changes from a quota-based to a constituency-based system to select city dumas, the basic administrative system was kept intact until the introduction of the Soviet system.

The Soviet system consisted of a national authority that extended to the city territorial level through executive organs that operated in tandem with a locally elected body whose authority was limited. The city дума of the Tsarist period was replaced by the local Soviet, which in turn elected executive committees whose responsibility it was to manage different spheres of local life such as education, health care, and trade. Thus, municipal government based on popularly elected officials with executive and legislative authority to act effectively on behalf of the residents of a community has never existed in Azerbaijan.

The historical development of municipalities in Azerbaijan have led it to acquire experiences that challenge and at the same time support its ability to adopt the western model of municipal development envisioned by the Council of Europe. For example, the basic concept of open, public meetings may not only be new, but counter-intuitive at a much more basic cultural level than mere reluctance of municipal officials to comply with the norms of democratic governance.

The emphasis on relations between neighbors and charity towards the poor, on the other hand, buttressed by years of Soviet communal experience, bodes well for the development of community. What may not be understood is the role of government and citizen in the complex relationship we call democracy and local self-government. In other words, people may not understand that they are *entitled* to have government and government officials serve their needs not just through the public ritual of voting for elected officials, but by ongoing communication with those officials.

Another strength of the culture is that the collectivist system of the Soviet Union taught people many basics of social organization such as forming committees for social action and providing for the common good. In practice this cultural norm sometimes translates into a municipality taking on the task of forming a business enterprise in order to provide jobs to citizens and to generate revenue, rather than encouraging citizens to form private enterprises or pressure the government to create better economic conditions. This may also translate into undue reliance on the state to provide for social needs.

The people in Azerbaijan have a great deal of collective experience and know how to organize themselves in groups, make decisions, and follow laws. But it is not clear to what extent the groups are truly participatory, rather than controlled by various authority figures. Azeri people may not see themselves as the government; rather, government is “out there” or someone else. This gives rise to another concern – just how deeply do the Azeri people experience democratic reforms? In other words, is democracy or are municipalities

perceived as just another set of rules imposed on the country or do they arise from the deeper aspirations of the population?

Another consideration in Azerbaijan is what can be termed the “flow of power.” While the Soviet system ostensibly was based on “the people,” the flow of power was from the top down. Cities were administered by an executive appointed by the national government. Hence, this experience of the formation of government is one of “delegation of power.” The underlying ethos of western-style democracy is the primacy of the individual who enters into a social compact with others to create government that will implement the common good as determined by the voters. This style of democracy developed organically from the bottom up. The demand for the formation of certain democratic institutions, such as municipal government, arose directly from the people who formed them. Citizens in these societies are thus culturally primed for open meetings and to have their voices heard by government officials, particularly on the local level.

The underlying ethos of Azeri culture tends to be more tribal and family based. Authority is relational and flows from the “patriarch” down to the people.¹⁰ Both Russian and Soviet influences were based on authoritarian models. Azerbaijan has neither the institutional memory of democracy nor a cultural experience based on democratic norms. People are generally more deferential to authority.

While the people of Azerbaijan have not had municipal government, *per se*, they have had government administrators in their locality for decades. The customary ways in which citizens respond to government officials or vice versa has in reality been institutionalized. Because both the geographical territory of the city had been formed and because the organizational development of government has historically taken a particular shape, many of the new organs of local municipal government look exactly like the old ones of the state and national government.

Despite the grafting of the new model on the previous system, the earlier experience with government will influence how people perceive and interact with this new model. Did that government or that administrator serve the needs of the people or deliver the appropriate services to the community? Did the previous regime work efficiently and if not, why not? How does this new concept of “local self-government” do the job any better? In some instances, the previous administrators were responsive to community needs although they were not popularly elected.

Finally, and equally important, the absence of women from the political landscape portends a serious imbalance in the articulation of municipal government. In IFES’ select municipalities, there are only two female municipal councilors elected in Barda and Khatai. While it is not uncommon to see women moving freely about in Baku society, women rural areas tend to be more segregated. In western-style democracies, local politics has traditionally been a place for women to participate more fully in the political process - be it city councils, school committees or town meetings. It is important that the same opportunity be afforded the women of Azerbaijan and that the old systems that discouraged participation not be duplicated in the political system.

¹⁰ Hence the enormous popularity and power of the current President, whose larger than life photo appears on large billboards in every project city. According to one writer, the President ascended to power in less than democratic circumstances and his dominance is unchallenged. Thomas Goltz, *Azerbaijan Diary*, M.E. Sharpe, Armonk, New York (1999).

Although assessing the status of municipal development in Azerbaijan is more complex than the brief snapshot provided in this report, examining the five select municipalities in detail and the legal framework that regulates their activity provides insight into shared characteristics and challenges. At their best, cities, towns, villages referred to as municipalities in Azerbaijan are living organisms, full of change and possibility yet maintaining an essential stability or social coherence that draws and keeps people there. They have identities, shaped as much by geography and social forces, as by their architecture and laws.

3. Legal and Regulatory Framework

The *Constitution of the Azerbaijan Republic* sets forth the basic legal framework for municipalities in Section IX. The constitutional provisions have been supplemented by additional laws and regulations of the *Milli Majlis*¹¹ and decrees and regulations issued by the President of the Republic and other state governmental bodies.¹² In addition to the *Constitution*, the current body of law pertaining directly to municipalities consists of approximately 30 laws, implementing decrees, regulations/rules, and amendments to the law. The tax code and the basic law pertaining to property also contain provisions that affect municipalities. A complete list of the laws and dates of passage can be found in Attachment Two. The purpose of the legal and regulatory framework section of the assessment is to highlight those issues that are likely to affect the development of effective municipal structures. With this in mind, IFES limited its focus to the following primary legislation and regulations that directly affect municipal government:

1. *The Constitution of the Azerbaijan Republic* – 12 November 1995 (Constitution)
2. *Law No.244-IQ On Local Municipal Taxes* – 27 December 2001 (*Municipal Taxes Law*)
3. *Law No. 698-IQ of the Azerbaijan Republic on Status of Municipalities* – 2 July 1999 (*Status Law*)
4. *Law No.764-IQ On Local Public Opinion Survey* - 30 November 1999 (*Opinion Survey Law*)
5. *Law No. 765 of the Azerbaijan Republic on Municipal Service* – 30 November 1999 (*Municipal Service Law*)
6. *Law No. 772-IQ of the Azerbaijan Republic on Basis of Municipal Finance* – 7 December 1999 (*Municipal Finance Law*)
8. *Law No. 858 of the Republic of Azerbaijan on Cooperating, Merging, Separating and Dissolution of Municipalities* – 14 April 2000 (*Cooperating, Merging, Separating and Dissolution Law*)
9. *Regulations on Permanent and Other Commission of Municipalities as approved by Law No. 859* - 14 April 2000 (*Regulations on Permanent and Other Commissions*)
10. *Law No. 863 of the Republic of Azerbaijan on Status of Municipal Member* – 18 April 2000 (*Municipal Member Law*)
11. *Tax Code as approved by Law No.905-IQ* – 11 June 2000 (*Tax Code*)
12. *Law No.1113 On Protection of Consumers' Rights*, - 19 September 1995 (*Consumers' Rights Protection Law*)
13. *Regulation on Local State Executive Authority, as approved by the President's Decree No. 138* – 16 June 1997 (*Local Executive Authority Regulation*)
14. *Rules for Placing Municipal Orders as approved by the President's Decree No.529* – 4 July 2001 (*Rules on Municipal Orders*)

Chapter III of the *Constitution* contains a provision¹³ stipulating that “citizens...have the right to take part in governing the state... [and]...may exercise said right themselves or through their representatives.”¹⁴ Taken in the context of local self-government included in Articles

¹¹ While legislative power resides in this parliamentary body, which consists of 125 elected deputies elected every five years, the president may and often does introduce legislation.

¹² Described as the “head of the Azerbaijan Republic,” executive power is vested in the president.

¹³ Articles 24-71, *Constitution of the Azerbaijan Republic*

¹⁴ Article 55, *Ibid.*

142 –146 of the *Constitution*, this provision clearly gives citizens the power to form and participate in elected municipal bodies.

The legal background of Azeri municipal government is almost completely shaped by the *Constitution* and parliamentary and presidential legislative acts. In this way, municipalities have less freedom to craft ordinances and procedures that take into account local practices or community dictates than in many other countries.

In Azerbaijan, prescriptive law is usually spelled out in great detail. Given that municipalities are a new creation under Azeri law, the specificity is frequently useful. According to law, each municipality has a charter, the number of municipal councilors is pre-determined on the basis of population, and the officers, council committees and city departments are established by Parliament. On the other hand, such specificity creates cumbersome procedures for making even small changes that might benefit a municipality if it so determines. Parliament, for example, has pre-determined that municipalities will operate on a calendar year basis and follow specific procedures for employment.

In addition to the newly created system of municipalities, the executive maintains its dominant influence in local affairs with executive authorities operating in three levels - national, district and local. Local executive authorities implement the state program within its territorial jurisdiction. According to Article 124 of the Constitution, the president is empowered to appoint and dismiss local administrators. These LEAs are financed with funds from the national budget and operate from buildings owned by the state in order to carry out their mandate.¹⁵

Another drafting issue is the matter of appending municipal government onto an already existing administrative system of authority. A brief comparison of the jurisdiction of Local executive authorities and municipal councils reflects similar and parallel power. For example, each one has a chair or head, a council, an administrative arm charged with implementing programs called the Executive Apparatus. Further they can both collect taxes and issue resolutions and orders. See Attachment Three for a more complete description and comparison of the jurisdiction of each body.

By law, municipalities have a great deal of latitude in creating municipal programs as long as they do not conflict with the State's social development programs. The topics listed in the law cover everything from education to the development of local infrastructure, including economic development and ecology. In addition, the law allows municipalities to give a "social allowance" to residents "regularly or once only."¹⁶ Indeed, the *Status Law* defines the phrase "important local issues" as "issues which are related to providing the living conditions of the population..."¹⁷ In short, the clear distinction appears to be that the LEA is part of the state government, answerable to the President, and responsible for implementing the State program, while the municipal council is a "non-government organ" elected and answerable to the members of the local community that may address issues of local concern in ways that do not conflict with this program..

¹⁵ Article 7(1) *Local Executive Authority Regulations* states that the "Head of executive authorities within their competency directly or through the relevant local executive authorities solve social and economic issues and other issues that are attributed to their competency by this Regulation and the President of the Republic of Azerbaijan."

¹⁶ Article 4(1), *Ibid.*

¹⁷ Article 2(3), *Ibid.*

Given the existence of such a parallel and, in many cases, duplicative form of local governance, the current structure should be significantly changed to promote clear mandates and access to resources. While there may not be the political will to make such changes immediately, a long-term strategy to transfer power and resources to the elected municipal councils should be developed. Further, municipal councils need increased capacity to generate resolutions that address issues of local concern within their jurisdictions. The discussion below highlights certain inadequacies in current legislation and suggests areas for improvement.

3.1 Interaction between State Authorities and Municipalities

Article 8 of the *Municipal Member Law* allows municipal councilors to apply to the relevant executive authority on local issues. No further specific or wide regulations are established.

Rights of municipal councils to apply or address problems to executive authorities should be more extended. Given that most of local issues can be solved either through the assistance of the state bodies or with coordination with them or some issues particularly relating to protection of human rights, can be solved entirely by state bodies, it is extremely important that municipal related laws contains comprehensive possibilities for municipal councils to interact with state organs.

Legislation on municipalities should include specific regulations governing procedures for interaction between municipalities and state bodies. Such regulations could include timeframes for considering municipal applications by the executive authorities, issues that should be coordinated while implementing projects by each governing institutions, *etc.*

It is also important that the suggested interaction enable municipal councils to have access to information on any projects that the relevant executive authority plans to implement within municipal area(s). On the other hand, municipal councils should be required by law to provide the municipal population with the information on any projects to be implemented by local executive authorities on the territory of the municipal population. Such information should be easily obtained from local executive authorities, ministries, state departments, *etc.* Representatives of municipalities should also be allowed to participate in all regular or extraordinary meetings of councils under the head of the local executive authorities.

As a part of such interaction, citizen(s) should be able to file his/her (their) complaints and inquiries to the relevant executive authorities through municipalities. As representatives of the municipal population, municipal councils should be clearly required to support and represent citizens of the municipal area before state organs.

3.2 Organizational Issues

As a separate matter, legislation on municipalities does not provide for clear provisions for conducting meetings of municipal members. There exist no specific procedures for convening municipal councils meetings such as issuing and sending notice to members and its timeframe. Nor do their exist regulations of issuing protocols or financial reports to municipal councilors, nor procedures for considering issues and adopting decision.

It should be noted that legislation on municipalities refers these issues to the charter of municipalities as adopted by municipal councils. Given that the municipal governing institution is not well-developed in Azerbaijan and most of the municipal members are not experienced, it is rarely possible that most of organizational and procedural issues will be properly established in municipal module charters.

The *Status Law* should contain more specific and obligatory provisions on organizational and procedural issues such as obligations of the municipality to issue financial and other reports, documents, and protocols to municipal councils, rules for issuing notices, and minimum timeframe.

3.3 Interaction between Municipalities and Electors

Under Article 9 of the *Municipal Member Law* and Article 15 of the *Status Law*, municipal members are required to maintain contacts with their electors at least two times a year. No further specifications of such interaction are established except for these general requirements.

It would be more efficient for electors to control their representatives in municipalities if either the municipality's charter or the legislation on municipalities establishes more detailed and specific regulations of the interaction. Timeframes for considering complaints, proposals, and requests from citizens, and procedures for submitting reports should either be included in these regulations or in charters.

3.4 Protection of Consumers' Rights

Under the *Consumers' Rights Protection Law*, protection of consumers' rights is implemented by various state and local executive authorities including the antimonopoly department of the Ministry of Economic Development. Article 27 of the *Consumers' Protection Law* also entitles public association to engage in the protection of consumers' rights. Unlike state agencies which are entitled to sanction financial and administrative fines for violations of consumers' rights, public associations are, however, authorized only to control the quality of goods (services), address consumers' complaints to the relevant state agencies, and represent consumers in private, state and court institutions.

In fact, state authorities are not active in protecting consumers' rights while public associations, e.g. Association for Protection of Consumers' Rights, a local non-governmental organization, plays significant role in this area. Numerous relevant suits have been brought to the court by non-governmental organizations. The contribution of municipalities in this field could be very effective and necessary. Municipalities, within the framework of protection of human rights, should be entitled to control the quality of goods and represent citizens in this regard. Such rights could be more extensive than the rights of public associations.

The *Consumers' Rights Protection Law* should be amended by including in the list of agencies responsible to perform protection of consumers' rights. The legislation on municipalities could also contain more specific duties of municipalities in this regard.

3.5 Regulating Municipal Activities

In addition, activities of municipalities should be broadly specified. Each of type of municipal activities should be regulated by a separate law or regulation which will establish more extensive and detailed rights and duties of municipalities, *e.g.* regulations on municipal activity in the sphere of education, housing issues, development of infrastructure in the municipal area, *etc.*

3.6 Municipal Decisions

Under Article 145 of the *Constitution* and Article 48 of *Status Law*, municipalities are entitled to issue decisions on local issues. No specific regulations on this issue are established in the Constitution or in the legislation on municipalities. Further, *Legal-Normative Acts Law*¹⁸ places municipal acts and acts of local state authorities in the same hierarchy of Azerbaijani legislative acts as “acts having normative character”.

While Article 150 of the *Constitution* stipulates that acts adopted by municipalities shall not contradict to the Constitution, laws of the Azerbaijan Republic, Presidential decrees and resolutions/rules issued by the Cabinet of Ministers, the relationship between decisions issued by municipalities and those issued by local executive authorities is unclear. Therefore, should decisions made by these two bodies contradict each other; it is unclear according to existing Azerbaijani legislation which would take precedence.

Both the *Legal-Normative Acts Law* and *Rules On Normative Acts Register*¹⁹ require the registration of municipal acts with the Ministry of Justice. Upon such registration, decisions made by municipalities become effective and valid. It is, however, unclear as to whether such registration would be applicable to all decisions of municipalities including minor ones not affecting the whole municipal area. The *Status Law* should clearly identify categories of municipal decisions requiring registration with the Ministry of Justice. For example, the law could state that only those municipal decisions affecting all subjects in the municipal area including local state executive authorities must be registered with the Ministry of Justice, while those affecting certain individuals within a limited area would be valid without registration.

Requirements established in the *Constitution* that municipal acts should be in compliance with the Azerbaijani legislation also seem difficult to achieve in practice. Municipal councilors face a lack of experience in this field and municipalities may have to involve lawyers in the process of drafting municipal decisions. One way to overcome this problem is to incorporate the process of drafting municipal decisions into the standard system used by executive authorities in a unified form for all municipalities. For example, decisions could be drafted through the following stages:

1. drafting decisions by municipality;
2. checking municipal decisions by the relevant state authority, *i.e.* those state agency specializing in the area governed by municipal decisions;
3. adopting checked decision by municipality;

¹⁸ Law No.761-IQ *On Legal Normative Acts* - November 26, 1999

¹⁹ *Rules On State Register of Normative Acts* as approved by the Presidential Decree No. 410 - October 21, 2000.

4. checking and registering municipal decisions by the legislative department of the Ministry of Justice in compliance with overview of the Azerbaijani legislation; and
5. publication of the checked decision by the municipality within the municipal area.

While these procedures would ensure compliance with existing legislation, the implementation of the process would likely be slow and burdensome, and actually inhibit the ability of municipalities to pass decisions that promote creativity and innovation.

As a part of the codification of municipal decisions, which could be beneficiary for self-government legislative activities, a register of municipal acts should also be established. This register could be maintained by the Ministry of Justice or the Center of Work with Municipalities and Methodological Assistance to Municipalities under the Ministry of Justice.

Additionally, municipalities should be required to create permanent legal commissions which could perform initial legal studies, involve independent or state specialists, and establish and maintain contacts with state agencies. This may help municipalities to develop their legislative practice and make it consistent.

Finally, obligatory timeframes and procedures for publishing municipal decisions by municipalities should be established by law. Local papers or other resources could be very helpful to make municipal decisions publicly available.

3.7 Public Discussion of Municipal Decisions

The legislation on municipalities makes no provisions for public participation in the decision making process, except for the local public opinion survey and citizens' legislative initiative (discussed below). The drafting of decisions appropriate to the community would be enhanced if the legislation on municipalities establishes categories of issues which can be adopted only by means of local referendum, as well as procedures for the initiation of legislative by either the municipality or the population. Also, it is advisable that the legislation on municipalities establishes a requirement for municipalities to conduct public discussions on drafts of decisions concerning "strategic" or significant local issues. Such discussion could be conducted through hearings and open council meetings directly with population and publishing the law draft with various opinions in support or against the draft in local papers.

3.8 Public Survey

Unlike the *Referendum Law*²⁰ which establishes a list of issues that should be resolved only by means of referendum, the *Opinion Survey Law* provides for general and facultative requirements to issues that should be put on for the opinion survey. It is also unclear which categories of issues fall within the public survey as well as to which results the public survey should bring.

Except for Article 2 of the *Cooperating, Merging, Separating and Dissolution Law*, which establishes that issues on the merging, separation, and dissolution of municipalities should be adopted by means of the public survey and municipalities shall make appropriate decisions

²⁰ Law No. 425-IQ *On Referendum*, December 30, 1997

upon positive outcomes of the survey, the wording of the *Opinion Survey Law* does not oblige municipalities to follow outcomes of the public survey on other issues.

The *Opinion Survey Law* should clearly differentiate the two types of public survey to do the following:

1. become familiar with public opinion in the municipal area in order to elaborate strategies for municipal activities or to determine municipal priorities; and
2. adopt municipal decisions on issues that require adoption by means of a public survey (local referendum).

Further, this law should establish categories of distinct issues that must be adopted only by means of a public survey in addition to those in the *Cooperating, Merging, Separating and Dissolution Law*.

Article 4 of the *Opinion Survey Law* establishes that decisions adopted by means of a public survey shall enter into force only upon the adoption of the relevant municipal decision on results of the public survey. The law, however, does not oblige municipalities to make such decisions and municipalities may therefore ignore results of the public survey. Municipalities should adopt relevant decisions only pursuant to results of a public survey aimed at learning opinion of the municipal population. Accordingly, other decisions adopted by means of the public survey should enter into force without the need of a formal municipal decision.

Additionally, procedures for conducting a public survey in the *Opinion Survey Law* seem to be a repetition of the Referendum Law. Unlike a nation-wide referendum, the conduct of public surveys should be less complicated. Requirements to register citizens' initiative group for the public survey under Article 13 is unnecessary. As a practical matter, such registration may only lead to creation of bureaucracy and abusing by Territorial Election Commissions (TEC). It is advisable to exclude such provision in the *Opinion Survey Law*.

Pursuant to Article 30 of the *Opinion Survey Law*, the protocol on voting results should be sent by precinct commissions to the TEC within 24 hours prior to the end of voting. It seems that 24 hours period for sending protocol to the TEC is excessive for the municipal public survey and may lead to the manipulation or other infringements by members of precinct commissions. Apart from this, the *Opinion Survey Law* does not allow for precinct commissions to announce the results of voting at the precinct. Precinct commissions are obliged to place protocols for public access; however, such obligation is rarely implemented and can be abused.

Article 32 of the *Opinion Survey Law* states that voting results shall be announced by the TEC within five days. Given that the municipal public survey is not as vast as a nation-wide referendum, results of voting could be determined in a fairly quick manner.

The following is therefore recommended:

1. the protocol on voting results should be sent by precinct commission to TEC immediately upon its completion;
2. voting results at the precinct level should be announced by the precinct commission immediately upon the completion and transmission of the protocol to the TEC; and
3. voting results at the TEC level should be announced by TEC within 48 hours or less.

Such requirements are mostly necessary for the public surveys aimed at approving decisions by the municipal population.

The Azerbaijani legislation on municipalities should also provide for possibility for population to repeal municipal decisions, if necessary, by means other than filing suits with the relevant courts. A collective complaint against a municipal decision and supported by a list of collected signatures of eligible citizens residing in the municipalities could be sufficient to repeal a decision.

3.9 Citizen's Meetings

Article 28 of the *Status Law* allows citizens in a municipal area with a population of less than 500 people to conduct meetings as a part of self-governance. There are no regulations or procedures for initiating and conducting these meetings. It is unclear as to who can initiate and conduct these meetings, whether the participation of municipal councils is obligatory, *etc.*

By law, citizens can adopt decisions at these meetings. There are no further regulations on procedures for adopting decisions and their implementation. It is unclear whether the decisions adopted pursuant to citizens' meetings are final and, therefore, not required to be considered and approved by municipalities.

There should be clear procedures for the following:

1. convening and conducting citizens' meetings - initiating proceedings, timeframe for distributing agenda, compiling protocols, voting process, *etc.*;
2. determining which issues can be resolved without approval of the municipalities; and
3. requiring representative(s) of municipalities to attend meetings and participate in other aspects of the citizens' meeting process to help facilitate the meetings, and prevent contradictions with the municipal program and budget.

3.10 Municipal Enterprise Ownership Status

Azerbaijani legislation allows municipalities to establish legal entity(s). Under Article 33 of *Status Law*, municipal enterprises are included as a part of municipal property, and Article 34 stipulates that municipalities are entitled to establish legal entity(s). There are, however, no specific regulations on municipal enterprises nor are there criteria for determination of the ownership status of municipal enterprises are not clearly defined.

The tax legislation defines municipal enterprises as those owned by municipality. Article 8(0)(4) of the *Tax Code* states that municipal taxes shall include tax on profits of enterprises and organizations owned by the municipality and a similar provision also is included in *Municipal Taxes Law*.

Further, Azerbaijani corporate laws²¹ make no specific provisions on determining the ownership in enterprises. Under these laws, ownership is implicated as the presence of

²¹ *Civil Code, Law No.847 On Enterprises* - July 1, 1994 as amended, *Law No.850 On Joint-Stock Companies (Corporations)* - July 12, 1994 as amended, and *Law No.605-IQ On Limited Liability Companies* - December 29, 1998.

interests (shares) or any other control over the enterprise(s). Moreover, apart from subsidiary status, Article 68(2) of the *Civil Code* recognizes enterprises as “dependent” entities to any legal entity if more than 20% of shares (interests) are owned by the latter one. It should also be noted that some laws²² recognize enterprises as state owned or those which should fall within regulations applicable to state enterprises if state shares in the charter capital of enterprises exceed more than 30%.

Therefore, unclear regulations, in particular, the lack of the specific interpretation of ownership status in municipal enterprises, in terms of their taxation status, may cause difficulties in differentiating legal entities as private or municipal enterprises. For example, it is obvious that enterprises shall be considered to be municipal if the municipality owns more than 50% of interests and the remainders are shared by private businesses (or 100% municipality owned). However, it is unclear as to those enterprises where shares are split into small portion of shares (interests) or 30% of shares are state owned.

3.11 Municipal Enterprise Liabilities

Under Article 35 of the *Status Law*, municipalities may determine goals, conditions and orders of activities of municipal enterprises, regulate quotes for their services, and conduct other relevant activities. These rights enable municipalities to maintain firm control over their founded entities and those established through agreements.

While granting municipalities control, this provision in the *Status Law* also holds them liable in cases of bankruptcy or insolvency. Further, Article 67(5) of the *Civil Code* states that in cases of bankruptcy or insolvency of legal entities their founder(s) shall assume a subsidiary liability of their bankrupted or insolvent legal entities if this bankruptcy or insolvency has been caused through the founders’ fault. The law defines the founders’ fault as “...actions (lack of actions) performed by legal entity according to instructions/orders/directions or any other obligatory notes of founder(s) and which resulted into (caused) bankruptcy /insolvency.”

Liability of municipal enterprises should be clarified to state that it should be governed by relevant Azerbaijani legislation.

3.12 Procurement of Goods and Services by Municipal Enterprises

In accordance with Article 37 of the *Status Law* and *Rules of Municipal Orders*, municipalities can place orders for goods and services within local social, economic or ecologic programs. Article 4 of the *Rules of Municipal Orders*, municipalities shall select vendor(s) and/or contractor(s) for goods and services either by means of tenders as established in the relevant legislation or through directly entering into contract with the preferred contractor.

²² Law No.878 On Privatization of State Property - dated May 16, 2000, II Privatization Program for State Property as approved by the President’s Decree No.383 - August 10, 2000, Law No.245-IIQ On State Purchase - dated December 27, 2001, et al.

Generally, under the *State Purchase Law*²³ transactions related to purchase of goods and services by state bodies and organizations or enterprises with 30% of state shares should be performed by means of tenders, in order to select vendor(s) and/or contractor(s). Further, the *State Purchase Law* establishes criteria according to which the vendor and/or contractor should be selected. Given that tenders are usually conducted in public²⁴ and state officials are also obliged to select the best proposal and lowest reasonable cost, corrupt practices in theory are discouraged.

The *Rules of Municipal Orders*, however, do not oblige municipalities to conduct tenders for selecting vendors and/or contractors and it is unclear about if other laws such as the *State Purchase Law* do. Municipalities should be required by law or decree to undergo the same open and public bidding process as state bodies in order to enhance effective procurement decisions and discourage corruption. In order to encourage efficient procurement of low cost goods and services, the municipality should be able to select the vendor and/or contractor through direct negotiation.

Such changes to existing procedures could be implemented by either amending the *State Purchase Law* by including municipalities in the list of bodies falling within its jurisdiction or incorporating similar requirements to the *Rules of Municipal Orders*.

3.13 Preference for Municipal Enterprises

Article 5 of the *Rules of Municipal Orders* stipulates that if proposals in bids appear to be identical; municipalities should prefer proposals from municipal enterprises, if any exist. Such preferences support economic development of a municipality by supporting jobs and revenue. This benefit for municipal enterprises, however, may contradict provisions in the *Antimonopoly Law*.²⁵ In particular, Article 7 of the *Antimonopoly Law* states that, among others, the use of facilities of municipal property and assets of municipal budgets shall be considered illegal if they limit competition. In this case, support for municipal enterprises bidding in tenders may be viewed as limiting competition.

Should this be found to be the case, Article 5 of the *Rules on Municipal Orders* should be amended accordingly. For example, if two bids appear to be identical, municipalities may be required to select the winner of the tender, for instance, through direct negotiations with each bidder. Alternatively, tenders may be allowed to be conducted only among municipal enterprises. In any case, this issue may be required to be clarified in law.

3.14 Profits Taxes of Municipal Enterprises

While the tax on profits of enterprises owned by municipalities is clearly set forth in Article 8(0)(4) of the *Municipal Taxes Law* includes tax on profits of enterprise owned by municipalities, the criteria for the determination of exactly what constitutes a municipal

²³ *Law No.245-IIQ On State Purchase* - December 27, 2001 replaced *Law No.247-IQ On Tender* -February 11, 1997 (*Law on Tender*), which was repealed according to Article 62 of the *State Purchase Law*. The *Law on Tender* established similar requirements upon conducting purchase transactions by state bodies/organizations. However, these transactions had to be performed through tenders if the cost of the first ones exceeded the certain amount.

²⁴ The *State Purchase Law* recognizes two types of tenders: (1) open (public) tenders and (2) close tender.

²⁵ *Law No.526 On Antimonopoly Activity* - dated March 4, 1993

enterprise is very ambiguous. (See 3.10 Municipal Enterprise Ownership Status above). This ambiguity must be clarified.

3.15 Property Tax

Under Article 5(3) of *Municipal Taxes Law*, the appraisal of individuals' property for purpose of calculating of taxable amount shall be funded by municipalities. Appraisals should be conducted in accordance with the rules as elaborated by the appropriate state agency. Further, Article 5(4) states that individuals may initiate their property re-appraisal using his or her own funds and an independent appraiser.

Thus, the *Municipal Taxes Law* does not oblige municipalities to involve professional and independent appraisers in the property assessment. The law envisages that the appraisal can be performed by the internal staff of municipalities while allowing individuals to employ an independent appraisal should they disagree with the estimation of the municipality. It seems that this Article can be abused by municipalities by over appraising the property cost and may also create corruptions or cause conflicts between municipalities and population. It is also unclear as to which result of appraisals will prevail if both do not match each other.

It is advisable that individuals' property appraisals should be conducted by municipalities but through involving neutral, professional, and licensed appraisers. Regulations and rules for selecting appraisers by municipalities could be governed by the *Rules on Municipal Orders* through the public tender. The appraisal report should be confirmed by a signature of the proprietor. In case that the proprietor disagrees with results of the appraisal, s/he will be responsible to conduct re-appraisal by hiring another independent licensed appraiser with his or her own funds. Any discrepancies should be resolved by the judicial system. Further, in order to avoid corruption and promote consistencies, all appraisals should be made public.

3.16 Municipal Budget Control

Under Article 12(2) of the *Municipal Taxes Law*, independent auditors may supervise the collection and spending of tax revenue in the municipal budget. Article 13 of the *Municipal Finance Law* stipulates that the state legislative and executive authorities shall control the spending of funds by municipalities, if these funds have been allocated to municipalities by these state authorities.

While state control over any funds in the municipal budget should be discouraged, control by independent auditor or auditing commission over the municipal budget should obligatory for all funds regardless of their sources.

4. Municipal Governance in Azerbaijan

Shortly after the adoption of the *Constitution*, which included provisions for municipalities, the *Milli Majlis* created a special commission on local self-government chaired by Prof. Zahid I. Garalov, *Milli Majlis* deputy. The development of laws and the holding of elections, however, took time. It was not until 1999, under encouragement from the Council of Europe as a requirement for membership, that elections were held for municipal councilors. The executive authority appeared reluctant to cede control over local affairs to these new bodies, which were controlled to a large degree by members of the governing New Azerbaijan Party or individuals sympathetic to the Party. To this day, the legal framework and its implementation continue to develop slowly.

The basic structure of each municipality is similar, due in large measure to the specificity of the law²⁶ and the previous experience of councilors with governmental organizations. People elect councilors who choose officers, usually the Chair and Deputy Chair and sometimes a Secretary. The council also establishes permanent commissions²⁷ from among the members of the council. These usually include the following topics: budget, social issues, ecology, and economic development. Commissions consider issues that are self-generated or brought to their attention by constituents, which are then referred to the full council for final action. A municipal officer also will refer matters to the commissions. Commissions usually have equal numbers of councilor members, no staff, but an office that can be used by member councilors. Commissions hold meetings that are sometimes open to the public, and keep minutes of their deliberations. The work of commission is usually the responsibility of the Chair, but is frequently coordinated by the Deputy Chair(s). See Attachment Four for a chart outlining the structure of municipal government.

The administrative functions of a municipality are carried out by the Executive Apparatus. Although not mandated by law, it usually includes the following departments: General, Tax, Construction, Social, and Economic Development. Larger municipalities have more departments than smaller ones. The Executive Apparatus employs municipal officials, most of which are paid a salary for their work. Tax collectors are often paid a commission. Some municipalities employ workers on a contract basis. The work of the Executive Apparatus is generally overseen by the Chair. None of the municipalities observed had a municipal clerk's office and it was not clear if there was any uniformity in record keeping. Documents were sometimes kept by the Chair in his safe and sometimes by the Secretary.

Most municipalities paid their Chair, Deputy Chair and/or Secretary a small salary. Some paid all councilors a salary as long as s/he did not have another job that paid a salary. Councilors are not allowed to collect two salaries. Councilors did not have staff or private offices.

Councilors did not appear to communicate pro-actively with constituents with residents seeking them out if they had a problem. Residents rarely attended regular council meetings, but were usually invited to attend the annual meeting. By law, councilors are charged with reporting to citizens every six months. It is unclear if this is what was referred to by annual

²⁶ *Status Law* and *Municipal Finance Law*. For example, Article 16(1) of the *Status Law* states, "meetings of the municipality are held not less than once per month and are called by the Chairperson."

²⁷ *Regulations on Permanent and Other Commissions* states that the types of commissions are: "social protection and social development; ecology; economic development; and local services." For example, one municipality had a Sanitary Commission and another had an Architectural Commission.

meetings. Councilors seem to be reticent to inviting the public to meetings, because of the “unreasonable demands” they make as one councilor put it. In short, participation appears to be treated as a privilege accorded to the public by public officials, rather than public service being a privilege accorded to the public official by the public. Municipal officers also held special meetings if necessary. By report of the officers, compliance with annual meetings is uniformly high but this has not been verified.

Most methods of communicating to constituents are through informal means such as walking down the street or attending community events. Given the paucity of finances, it does appear to be an important method of communication. Councilors uniformly reported that citizens frequently approached them with problems and requests, and one municipality even has specific hours set up to handle citizen complaints. While all municipal councilors apparently have telephones and phone contact by and between councilors seemed prevalent, they rarely, if at all, appear to publish or post publicly their names phone numbers in any particular location. It was not clear that constituents actually called up their councilors with a problem or question. It was certainly apparent that councilors did not send constituents letters or newsletters. This can be explained by financial constraints, limitations of the postal service, and, perhaps, by a lack of cultural norms.

As stated earlier, municipalities have a great deal of latitude in creating municipal programs as long as they do not conflict with the State’s social development programs. Consistent with those obligations, municipalities have created programs to address local needs. Municipalities are limited, however, by a lack of financial resources and property. Despite these limitations, municipalities provide services such as cleaning the territory, planting trees, repairing electrical and gas lines, repairing roads and schools, the maintenance of cemeteries, and installing lights. Municipalities also engaged in social service activities, such as assistance to elders, families of victims, those disabled by war, and talented children. For an empirical comparison of the five municipalities analyzed see Attachment Six. Sample municipal budgets, workplans, and internal rules can be found in Attachment Seven.

While municipalities appear to know the basics of program planning, they still need to develop new ways of solving old problems on limited budgets. They also face difficulties with generating revenue and tax collection. Finally, they lack experience developing clear, accurate, and realistic budgets that define how available funds are going to be raised and spent.

By far the major social problem for the municipalities which IFES examined is the lack of employment and economic development. The collapse of the Soviet Union left many workers unemployed and factories idle, thereby creating enormous poverty and decaying physical resources. The upside of the reduced manufacturing base is that there is less pollution, but that is about the only positive aspect of such massive economic dislocation. The strong family and social structures also play a role in reducing the impact of this decline. The prevalence of refugees and IDPs creates enormous pressure on many municipalities, as some facilities that would normally be used for municipal functions are currently temporary shelters. Certain apartment buildings in Khatai were given by the state to the municipality, but specifically for the purpose of housing IDPs or refugees. And in Mingachevir, a resort area is now the site of a refugee camps.

Significantly, infrastructure tends to be poor. While some municipalities are in better condition than others, roads tend to be in disrepair, and water, sewer and electrical service is

sporadic. Some municipalities have gas lines, which should improve the heating situation. However, many municipal offices still tend to lack heat in the colder months. Such conditions will have significant impact on the work of developing municipalities, from prioritizing programs to encouraging economic development to increased expectations of government. Unless there is some improvement in the quality of life for people, especially in the regions, the benefits of democratic and economic reforms may be questioned by the population.

There are concerns that municipalities are being given mandates to resolve local issues with the resources to do so. Municipalities are directly competing for resources from the national government with the Local executive authority. Moreover, there is a danger in setting up an elected system of local self governance with unfunded mandates that are unable to effectively address issues of local concerns and raise the quality of life among the population. In this way, these institutions may be viewed by some as providing cover for the executive's shortcomings. There is also a concern that the inability of municipalities to perform their mandates, irrespective of a lack of resources, may be used as an argument to revert to the former system of complete administration by local executive authorities.

There also are resources from NGOs or volunteers, or program initiatives that can be provided at minimal or no cost. In most cases such innovative uses of existing resources is not effectively utilized. For example, given that unemployment is so pervasive, a municipality could sponsor an educational seminar teaching the basics of starting and maintaining a business, inviting NGOs to share information about micro finance programs in the region. Significantly, there do not appear to be many international businesses operating outside of Baku. Such Baku-based companies might be interested in developing some sort of partnership on economic development issues. One municipality operated an Internet club that trained young people in the use of computers. The same municipality, however, did not see the value in training future entrepreneurs, despite the fact that it actually went one step further by creating an actual business.

Each of the municipalities examined had serious social problems and the municipal councilors were keenly aware of the need to solve those problems. They were open to discussing their problems and working with IFES and local NGOs to identify solutions. They also expressed an interest in working with each other share information and lessons learned. To date, such contacts, which appear to be limited, are hindered by the lack of a complete database of municipal contact information. It should be noted that despite discussing their problems with other international group, they had yet to receive on-going, sustained support. In addition to identifying ways to maximize resources, the capacity of these municipalities to fulfill their mandates and effectively address issues of local concern could be increased through better democratic governance and enhanced public participation. This would add more credibility to the decision making process while increasing the accountability of the locally elected officials.

5. Programmatic Recommendations

The following set of recommendations are designed for use by IFES in developing its programmatic goals and objectives for work in the field of local governance in Azerbaijan. Using its technical leadership in the field of local governance, IFES programs should develop a model for municipal reform that effectively builds on the historical and cultural context of Azerbaijan's local communities and is consistent with the objectives and goals being set forth in the State Program on Poverty Reduction and Economic Growth. The following recommendations cover three main programmatic areas: informational resources, legal and procedural reform, and training and capacity building.

5.1 Information Resources

IFES should collect, analyze, and integrate into its program activities information relating to all aspects of the functioning of municipalities, the executive structures on the central and local levels, the context within which local self-governance is emerging, and the role of NGOs in this process.

1. IFES should supplement and update the initial collection of data about municipal councils through follow-up interviews with councilors separate from the Chair or Deputy Chair, and attendance at annual, regular, and other public meetings on municipal matters. General information should be ascertained about the following: While it is a strength that municipalities have Chairs with leadership skills, do other councilors share the same skills and decision making capacity or are they dominated by the Chair? Are councils effectively involving the public? How do councils interact with each other?
2. IFES should collect demographic reports from other sources such as the World Bank, the Azerbaijan government or other NGOs working in the area to form a more solid basis for follow-on work. For example, if there isn't a major health problem confronting policy-makers in a particular municipality, then resources might be prioritized in different ways.
3. IFES should better understand the hierarchical structure and role of the Executive Apparatus and how decisions are made and implemented. In particular, IFES should examine the activities conducted by local executive authorities to assess the extent of overlap or community input. Additional information should be ascertained about the following: How do the LEAs function and how is this different from municipalities? Do LEAs interact with the community on any consistent basis? How do LEAs see their role in relation to municipal councils?
4. IFES should effectively incorporate information and lessons learned from its civic education activities in the communities in which IFES is conducting local governance work. Issues to be addressed concern the following: What do people in the project municipalities know about local government? How would they describe their most important issues? How are they responding to the message that they are being taught by IFES trainers? Are training materials accurate and do they effectively get the message across?

5. IFES should review and analyze for content and form for all charters and meeting minutes in project municipalities. Officials from these municipalities should receive constructive feedback in the form of positive reinforcement and comments that will enhance their future performance.
6. IFES should obtain further information about the meetings of municipalities that have been taking place on a monthly basis in the Barda rayon, in order to determine whether this can be used as a model for best practices. In particular, IFES should analyze the following: How are they organized and who is organizing them? What do they do? Are they “coordinating councils” or something altogether different? Rather than attempting to organize another municipal organization, it may be better to offer assistance with these existing networks.
7. IFES should collect information from the Government of Azerbaijan that states their vision of local self-governance. For example, the Permanent Commission on Regional Issues has just published a book on municipalities. This book should be translated immediately to gain a better understanding of what the drafters envision by “local self-government.”
8. IFES should collect more information on the development of attitudes and understanding of democracy and local self-governance in Azerbaijan. IFES should conduct surveys and focus groups which are weighted to determine the opinions and knowledge of citizens in the regions in which IFES works, and how this information compares to the country as a whole. IFES should also obtain useful information from social scientists, historians, anthropologist, and other academics to better understand the context of municipal development in Azerbaijan
9. IFES should take the lead in coordinating work among the NGOs who are focusing on local governance, sharing information, constructing joint programs, and avoiding unnecessary duplication of work.

5.2 Legal and Procedural Reform

IFES should promote additions and changes to the legal framework governing local governance and better implementation of these laws. In particular, IFES should seek to clarify the mandate of municipal councils and provide mechanisms through which they receive the resources they need to operate.

1. IFES should become more actively involved in *Milli Majlis* Permanent Commission on Regional Issues, monitoring discussions to ascertain the direction of proposed new reforms advanced by the Commission. In particular, IFES should address the following questions: Are there ways to pro-actively encourage a more appropriate framework consistent with the provisions set forth by the Council of Europe? What is the vision for local governance in Azerbaijan and what does this mean for the development of municipalities? What new laws are being proposed or considered by Parliament? How will this impact the existing practice?
2. IFES should identify and work with other parliamentarians who understand and are favorably disposed toward the development of municipal government. IFES should

also continuously seek to educate parliamentarians about the benefits of municipal government and build a base of support for promoting reforms.

3. IFES should propose specific changes in the legal framework to the Parliament's Permanent Commission on Regional Issues based on legal analysis and consultations with parliamentarians, municipal councilors, and legal experts. IFES has prepared initial recommendations. In particular, IFES should promote a dramatic change in the current parallel structure of local governance in which municipalities and local executive authorities have overlapping mandates and compete for resources and power. Land and financial resources must also be transferred to municipalities in order for them to carry out their limited mandate. Finally, their mandate must be made clear and they must have the capacity to generate resolutions to address issues of local concern within this mandate.
4. IFES should encourage the effective implementation of new, revised, and amended legislation. In particular, IFES should focus on the issues of dual jurisdiction, the transfer of land, allocation finances from the state budget, and collection of taxes.
5. IFES should consider developing a set of model charters and forms to aid municipal councils in implementing procedures that promote transparency and public participation in the decision-making process.

5.3 Training and Capacity Building

IFES should conduct training and capacity-building activities that respond to the needs and priorities of the municipalities, address key issues, provide the public with a better understanding of the municipal decision-making process and input into that process, work effectively with business and non-profit communities to promote common goals, and promote exchanges of information.

1. IFES should focus its training for municipalities on all relevant actors, including leadership, regular municipal councilors, and functionaries. In addition to technical expertise, training should address general issues of democracy, public participation, and the role of municipal councilors in the big picture. Training should also utilize comparative examples from other countries. Recognizing that the needs of each municipality are different, training topics and priorities should be selected through consultations with each.
2. IFES should ensure that training and informational materials focus as much on the role of the executive and legislative branches in municipal governance in participatory democracy as they do on elected municipal councils. Indeed, community education about the role and rights of citizens should include expectations of parliament and the national government. For example, citizens should be made to understand that ministers and parliamentarians should be as responsive to local needs as municipal councilors. Budgets for both levels of government should be publicized. If the Executive Authority is not giving out subsidies on a timely basis, citizens should be informed of this. If the local executive authority is using his budget to build fancy buildings instead of fixing the roads, people should be made aware of this too.

3. IFES should ensure that municipal finance is a priority for training. Topics should include: (1) specific provisions of the tax code and other laws about taxation, (2) efficient methods of tax assessment and collection, (3) records generation and management, (4) steps in the budget process, (5) how to increase revenues, (6) drafting the municipal budget, (7) encouraging public participation in the planning process, (8) long and short term planning considerations, and (9) examples from other countries. In addition, copies of each municipality's budget should be shared by all the project cities and analyzed for content and form. Finally, a representative of the appropriate ministry, with written documentation of the formulas and procedure, should explain the government subsidy process.
4. IFES should provide in depth training on municipal planning. All the project municipalities have accomplished the basic task of setting up their municipalities. However, they need to be encouraged to move to the next level of governance. Given the emphasis on ecology and the relative newness of municipal government, municipalities are in a unique position to envision how they want to look in the future. In particular, the following questions should be considered: If the municipality continues to experience a certain growth rate in population, what will be the impact on the infrastructure? How can the municipality best plan for growth, especially if it anticipates a greater tax base? If the sewage system does not work at this time, what should be done to protect the environment ten years from now? Where are they putting garbage? Will these practices affect the ground water in the future? What are the best practices that can be identified by Azeri experts in architecture, environment, etc? How high should the buildings be in the city center? Should traffic flow in the direction it does? Are there ways to encourage development that will attract more or better development?
5. IFES should promote public participation in the municipal decision-making process by encouraging municipalities and representatives of IFES civic education discussion groups to work together to develop a formal public participation strategy.
6. IFES should sponsor two-day training seminars for municipal officials which incorporate lessons learned about municipal operations and cover multiple topics such as the following: (1) advocating for local needs with the LEA and parliament; (2) internal rule making procedures; (3) ordinance drafting and formalities of issuance/record keeping; (4) annual program planning, including services, infrastructure maintenance, ecology and economic development; (5) working with the media and/or publicizing meetings, events and other good works of the municipality. (6) public records – what are they, how are they kept, and why? (7) ten projects that don't cost money to implement but will help your community and create good will toward the municipality.
7. IFES should work closely with indigenous NGOs and experts when planning and implementing training and capacity building programs. IFES should play a leadership role by organizing periodic roundtables and coordinating activities of these groups to promote effective programming and prevent overlap. IFES also should provide its expertise to these programs while enlisting local expertise.
8. Opportunities for information sharing and networking among municipalities should be encouraged and scheduled on a regular basis. This should be done both for project

municipalities and, where appropriate and feasible, include other municipalities. Best practices could be identified within municipalities so that seminars utilize the talents of current elected officers. For example, the Chair of the Barda municipality, who used to be a tax collector, could lead a workshop on taxes for his colleagues. The Chair and Deputy Chair of Ismayilli, who put into effect a façade improvement program, could lead a workshop about they executed this plan. In this way, IFES will develop a set of best practices and model municipalities for future work.

9. IFES should identify partners in the business and non-profit communities who can assist municipalities in jump starting their economies, either with micro finance programs or economic development grants. Specific information should be provided municipalities on how and where to apply for grants or loans. Given the success of micro-finance programs geared toward women, women should be targeted for these funds.
10. IFES should take steps encourage greater participation by women in local governance. This can be done by encouraging women in the municipalities with which it works to actively engage municipal councils.
11. To the extent possible, IFES should reward project municipalities for their participation by providing them with products that help them be more efficient, such as computers, facsimile machines or even office supplies. For example Regional Resource Centers could be established within municipal buildings, thereby providing the municipality with greater credibility with the community. Resources, such as materials and computers, could be transferred to the municipality in the future. Or perhaps some American companies can be encouraged to donate used but relatively new equipment that can be reconfigured easily for use in Azerbaijan.
12. IFES should seek to promote exchanges and study tours for municipal councilors to similar municipalities in both countries such as Poland that have successfully transitioned from communist systems, and the United States and countries in Europe have developed systems of local governance. IFES should seek to coordinate efforts with relevant embassies and organizations promoting exchanges such as IREX.
13. IFES should draft a Manual for Municipal Government during the first year of programming so that it effectively benefits from a complete collection of information, lessons learned, and best practices.

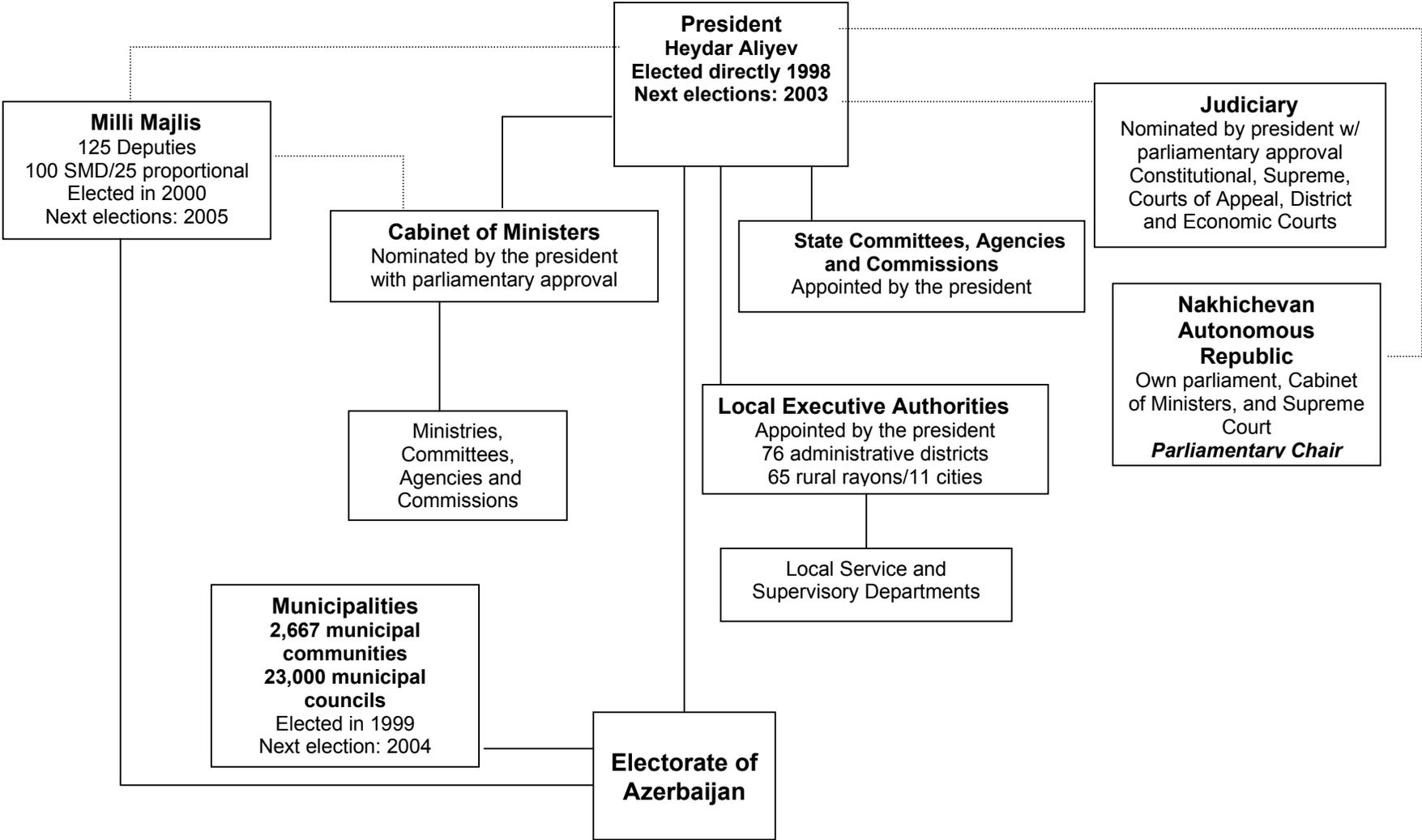
6. Conclusion

Through this assessment, IFES has established a baseline from which to measure future work and identified several areas that deserve attention in order to promote truly independent, accountable, and responsive municipal governments. On the national level, IFES needs to work with lawmakers and local non-governmental groups to make the legal and regulatory framework governing local self-governing bodies (municipalities) clearer, more effective, and in compliance with international norms. On the local level, IFES needs to work closely with the five targeted municipalities to promote a model of community development that engages both the municipalities and citizen stakeholders. IFES cadre of civic education trainers raises awareness and advocacy skills through regular discussion groups that address a series of issues affecting participating citizens. IFES should fully employ this well-established methodology to promote public participation in municipal decision making. IFES should also provide municipal councils with target training, capacity-building, and networking opportunities. Finally, IFES should actively support initiative groups who agree to work formally with municipal councilor(s) through a micro-grants program. Such micro-grants would create a positive environment for community development through cooperation between citizens and municipalities. In this way, IFES could develop a model for empowerment and effective growth in local communities across Azerbaijan.

ATTACHMENT ONE

GOVERNING STRUCTURES OF AZERBAIJAN

GOVERNING STRUCTURES OF AZERBAIJAN



ATTACHMENT TWO

**LEGAL DOCUMENTS PERTAINING TO
MUNICIPAL GOVERNMENT**

LEGAL DOCUMENTS PERTAINING TO MUNICIPAL GOVERNMENT²⁸

1. The Constitution of the Azerbaijan Republic. 12 November 1995
(27 November 1995)
2. Regulation on Local State Executive Authority. 16 June 1997
3. Law No.699 –IQ of the Republic of Azerbaijan On Rules For Elections to Municipalities. 2 July 1999
(28 July 1999)
4. Law of the Azerbaijan Republic No.698-IQ on Status of Municipalities. 2 July 1999
(28 July 1999)
5. Law No.772-IQ of the Azerbaijan Republic on Basis of Municipal Finance. 7 December 1999
(28 December 1999)
6. Law No.764-IQ of the Azerbaijan Republic On Local Public Opinion Survey. 30 November 1999
(28 December 1999)
7. Law No.765 of the Azerbaijan Republic On Municipal Service. 30 November 1999
(28 December 1999)
8. The Law No.771-IQ of the Azerbaijan Republic On Territories of Municipalities. 7 December 1999
(5 January 2000)
9. Model Charter of Municipality as approved by Law No.709-IQ of 15 October 1999. 15 October 1999
(25 January 2000)
10. Law No.770-IQ of the Azerbaijan Republic On Transferring Property to Municipal Ownership; President’s Implementation Decree No.253 of 15 January 2000. 7 December 1999
(25 January 2000)
11. Rules on Registering Indicators of Financial and Economic Activity of Enterprises Owned by Municipalities, as Approved by the Resolution of the Cabinet of Ministers No.3 of 12 January 2000. 12 January 2000
12. President’s Order No.333 On Some Issues Related to Organization of Municipalities’ Activity. 8 February 2000
13. Regulations on Permanent and Other Commissions of Municipalities as approved by Law No.859 of 14 April 2000. 14 April 2000

²⁸ Laws become effective when published, however the proper legal citation is to the date of signing by the president. Hence, the first date next to the name of the document is the date of signing; the date in parenthesis is the date of publication. If only one date appears, the assumption is that it covers both events.

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| 14. Regulations on Coordinating Councils for Local Self-Government of the Republic of Azerbaijan as approved by Law No.864-IQ of 18 April 2000. | 18 April 2000 |
| 15. The Law No.863 of the Republic of Azerbaijan On Status of Municipal Member. | 18 April 2000
(27 October 2000) |
| 16. The Law No.858 of the Republic of Azerbaijan on Cooperating, Merging, Separating and Dissolution Of Municipalities. | 14 April 2000
(27 October 2000) |
| 17. Resolution of the Cabinet of Ministers No.226 On Minimum Amount of Rental Fees for Lands Owned by the State and Municipality. | 23 December 2000 |
| 18. Regulation on the Center of Work with Municipalities and Methodological Assistance to Municipalities under the Ministry of Justice of the Republic of Azerbaijan as approved by President's Order No.364 of 12 July, 2000. | 12 July 2000 |
| 19. Law of the Azerbaijan Republic No.107-IIQD On Amendments to Some Legislative Acts of the Republic of Azerbaijan in connection with the implementation of the Civil-Procedure Code. | 27 March 2001 |
| 20. Law of the Azerbaijan Republic No.122-IIQD On Amendments to the Law of the Azerbaijan Republic 'On Rules for Municipal Election'. | 17 April 2001 |
| 21. Model Regulations on Building Associations of Municipalities as approved by Law No.129-IIQ. | 8 May 2001
(8 May 2001) |
| 22. Regulations on Rules and Schedule for Transfer of State Property to Municipalities as approved by President's Decree No.498 of 11 June 2001. | 11 June 2001 |
| 23. Law of the Azerbaijan Republic No.160-IIQ On Management of Municipal Lands. | 29 June 2001
(9 August 2001) |
| 24. Law on Water Economy Activity of Municipality No.159-IIQ. | 9 August 2001
(29 June 2001) |
| 25. Regulations for Placing Municipal Requests as approved by President's Decree No.529 of 4 July 2001. | 4 July 2001 |
| 26. Law of the Azerbaijan Republic No.184-IIQD On Amendments to Law of the Azerbaijan Republic 'On Territories and Lands of Municipalities'. | 5 October 2001 |

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| 27. Law of the Azerbaijan Republic No.197-IIQD
On Amendments to Some Legislative Acts
of the Azerbaijan Republic in connection with
implementation of the Law of the Azerbaijan
Republic ‘On Local Public Opinion Survey’. | 12 October 2001 |
| 28. Law of the Azerbaijan Republic No.198-IIQD
On Amendments to Some Legislative Acts of
the Azerbaijan Republic in connection with
implementation of the Law of the Azerbaijan
Republic ‘On Cooperating, Merging, Separating
And Dissolution of Municipalities. | 12 October 2001 |
| 29. Law of the Azerbaijan Republic No.219-IIQD On
Amendments to and Invalidation of Some Legislative
Acts of the Azerbaijan Republic in connection with
the implementation of the Law of the Azerbaijan
Republic ‘On Approval, Entry into Force of the Tax
Code and Other Related Issues and the implementation
of the Tax Code. | 23 November 2001 |
| 30. Law of the Azerbaijan Republic No.244-IIQ On
Local (Municipal) Taxes and Payments. | 27 December 2001
(7 April 2002) |

Other Pertinent Legal Documents

- | | |
|--|--------------------|
| 1. Law No.1113 On Protection of Consumers’ Right | September 19, 1995 |
| 2. Civil Code as approved by Law No.779-IQ | December 28, 1999 |
| 3. Law No.761-IQ On Legal Normative Acts | November 26, 1999 |
| 4. Tax Code as approved by Law No.905-IQ | June 11, 2000 |
| 6. Rules On State Register of Normative Acts as approved
by the Presidential Decree No. 410 | October 21, 2000 |

ATTACHMENT THREE

**SUMMARY DESCRIPTION OF THE DIVISION OF POWERS
BETWEEN MUNICIPALITIES AND STATE LOCAL
EXECUTIVE AUTHORITIES**

SUMMARY DESCRIPTION OF THE DIVISION OF POWERS BETWEEN MUNICIPALITIES AND STATE LOCAL EXECUTIVE AUTHORITIES

In accordance with the Constitution of the Republic of Azerbaijan, a new institution of local self-governance in the form of municipalities has been recently established. Unlike the State governing system, municipalities are not State institutions. They possess a State-like set of powers, including the presence of a detached administration, power that extends over all persons within a specific territory, establishment and collection of taxes, and development of their own budget.

While recent laws grant municipalities broad responsibilities to address problems in the field of social, economic and environmental affairs beyond the scope of the State programs, very few citizens today understand the role of municipalities in Azerbaijan, their daily activities, or the benefits of various municipal development programs.

First of all, municipalities are associated with a community of citizens within a certain territory functioning through democratically elected representatives of citizens, which allows the population to participate in the management of local issues within the overall State policy. A municipality is a tool of self-governance that plays the role of "local" government to a considerable extent.

Municipalities are mainly recognized as a self-constituted association of citizens, a means by which people participate in governing the affairs of their community through representative institutions. As an instrument for self-governance, municipalities set up mechanisms through which local residents can undertake chosen community activities, which play a role in the administrative extensions of the government at the local level.

Municipal institutions principally exist to decentralize governmental management systems and mobilize civil society for community-based solutions to public problems. Municipalities are allotted a wide range of responsibilities by relevant legislative acts to deal with different issues within their territories that are outside control of the relevant State programs.

The Parliament of the Republic of Azerbaijan developed and adopted a number of fundamental normative documents regulating the activity of municipalities. Laws on the status of municipalities, on municipal services, on municipal land management, on management of water resources and other legislative acts constitute the full range of rights and duties of municipalities.

In 1999, the first municipal elections were conducted and nearly 23,000 citizens of the Republic of Azerbaijan were elected as councilors of municipalities. Among these elected councilors of municipalities, there can be representatives of ruling and opposition political parties and independents.

Over 2,650 municipalities are registered in Azerbaijan. The administrative and territorial division of districts, settlements, cities and city districts serve as the basis for municipal territorial division.

Despite the fact that the municipalities have been in existence for more than three years, there are numerous unresolved problems related to their functioning. Lack of understanding and a poor image of the municipality's powers by the citizens, as well as by many municipal councilors, make it difficult for these municipalities to function. Furthermore, actual gaps and contradictions in the legislation create grounds for confusion.

The laws governing state local executive authorities and municipalities sometimes overlap. In addition to duplication there are uncertainties and ambiguities. IFES has not attempted to interpret this lack of clarity but has reproduced the law as it is. These issues need addressing in future law amendments.

This booklet provides a summary description of the division of responsibilities between municipalities and state local executive authorities.

STATE LOCAL EXECUTIVE AUTHORITIES

Local Executive Authorities²⁹ are the part of state executive organs performing state executive duties within certain territories;

Heads of Local Executive Authorities are appointed by and are solely subordinate to the President of the Azerbaijan Republic.

MUNICIPALITIES

Municipalities are a form of local self-governance functioning within defined areas throughout Azerbaijan. Municipalities are not part of state organs;

Municipalities are collective organs consisting of elected councilors responsible to their electors.

Organizational Chart

A Local Executive Authority consists of the following: (1) a Head of the Local Executive Authority, appointed by the President of the Azerbaijan Republic; (2) an Executive Office of the Head of the Local Executive Authority, appointed by the Head; (3) Management Divisions of Local Executive Authorities; and (4) a Council under the Local Executive Authority.

The Head of a Local Executive Authority is responsible for the following: (1) the performance and supervision of the duties of Local Executive Authority, (2) day-to-day management of its Executive Office, and (3) reporting to the President of the Azerbaijan Republic. The activity of the Head of the Local Executive Authority is primarily based on resolutions, orders, and instructions of the President of the Republic of Azerbaijan and other superior state authorities.

A municipality consists of the following: (1) a chairman, (2) municipal councilors, (3) permanent and other commissions, and (4) an executive body.

Additionally, citizens' meetings as a part of self-governance may exist within the framework of municipal government. However, such meetings can take place only if the municipal population is less than 500 people.³⁰ Decisions adopted pursuant to such meetings can have local normative features and could, therefore, be considered binding within the municipal territory.

The Chairman of a municipality is elected from among the councilors of the municipality. A chairman is considered elected if more than half of municipal councilors voted for him/her. The basic role of the Chairman is to do the following: (1) conduct day-to-day management of the municipality, (2) deal with various administrative issues, including convening meetings of municipal councilors, (3) establish the municipal executive organ and managing its activity, and (4) sign the municipality's resolutions and decisions.³¹ The term of office of the chairman is regulated by the charter/internal rules of the municipality.

Municipal councilors are elected for a term of five years and are responsible for performance

²⁹ Regulations *On Local State Executive Authorities* as approved the President Decree No.138, June 16, 1999.

³⁰ Article 28 of Law No.698-IQ *On Status of Municipalities*, July 2, 1999

³¹ Article 19 of Law No.698-IQ *On Status of Municipalities*, dated July 2, 1999

of their respective municipality's activity through regular meetings. Municipal councilors are representatives of the population of a municipal territory through which they conduct self-governance. The municipal councilors have the following rights: (1) to initiate and suggest issues to be discussed at the councilors' meetings or by the municipality's executive body, (2) to suggest amendments, remarks or notes to decisions or drafts discussed or adopted, (3) to make enquires of state or municipal agencies, authorities, organs, etc. In addition, municipal councilors may participate in the work of permanent or other commissions of the municipality as a commission councilor, expert or observer with a consultative vote. Municipal councilors must hold meetings with their electors and consider their complaints and requests.³² If a municipal councilor's main or permanent work place is the municipality, wages and compensation to this municipal councilor are payable from the municipal budget.

The Council under the Head of the Local Executive Authority is a permanent advisory organ, consisting of the Head of the Local Executive Authority, his/her deputies, directors of Local Executive Authority Managing Divisions and other services. Decisions made by the Council must consultative in nature. As a rule, significant issues requiring collective solutions are primarily discussed at the Council.

Permanent and other commissions are established by municipalities to handle tasks assigned to it. These commissions are usually established for preliminary consideration and elaboration of new solutions within their competence. These commissions can also assist to implement decisions of the municipality and supervise the activity of municipal organizations and enterprises.³³

For instance, to resolve a problem in the social sphere, a municipality may establish a commission for social development. It should be noted that this commission could also operate on a permanent basis. Then, the commission identifies the existing social problems that exist in the municipal area, which may be, for example, poor conditions of municipal roads. The commission would then elaborate a plan for resolving this problem, which would be put up for discussion at the next municipal council meeting. In addition, a municipality may also involve other commissions in this project. For instance, a budget and finance commission would consider the financial aspects of the repair of the

³² Article 20 of Law No.698-IQ *On Status of Municipalities*, July 2, 1999 and Articles 4, 5, 7 and 9 of Law No.863 *On Status of Municipal Councilor*, dated April 18, 2000.

³³ Article 17 of Law No.698-IQ *On Status of Municipalities* and Article 2 of Regulations 'On Permanent and Other Commissions of Municipalities' as approved by Law No.859 of April 14, 2000.

municipal roads. Depending on the goals and role of the commission, it may involve relevant experts as well as the municipal councilors and the population of the municipal area.

The Executive Office is established to undertake delegated management over the activity of the Local Executive Authority and its internal structures.

Managing Divisions are established to handle various issues within the competence of the Local Executive Authorities and subordinate to the Apparatus (Office) of the Local Executive Authority.

A municipality may also have an executive organ headed by the chairman of the municipality, made up of heads of executive departments and their officials, and formed in accordance with the procedures described in the municipality's charter. The main function of the executive organ is to administer the activities of the municipality.³⁴ Departments, such as those responsible for taxes, accounting, and human resources may be created within the structure of the executive organ.

General Activities

A Local Executive Authority is responsible for implementing State programs.

A municipality is responsible for performing local programs not covered by State programs.

The Government of the Azerbaijan Republic has elaborated the State program for the development of the Republic in all fields of State functions on the basis of main principles established in the Constitution.³⁵ This State program should be considered as the State's strategy for the country's development. The package of legislative acts, drafted and adopted by the Parliament, establishes the legal foundation for the implementation of the State program. State executive authorities directly implement the State program. In order to efficiently carry out the program, the implementation process is divided into stages and sub-programs. Each of the units in the State governmental structure is, therefore, authorized to implement or supervise the implementation of their respective sub-programs within the defined field and period. The Local Executive Authority, as a unit of the State governing structure, is also authorized to undertake certain tasks arising from the State program.

The Government's State program does not cover all areas of public life. Consequently, the activities of Local Executive Authorities cannot always cover all needs of the population. Therefore, one of the roles of a municipality is to fill any possible gaps in the State program, in order to meet the population's needs at the local level.

A Local Executive Authority is responsible for the following:

A municipality is responsible for the following:

Elaborating and implementing development programs for cities and regions in the social,

Elaborating and implementing social, economic, and environmental programs at the

³⁴ Article 18 of the Law No.689-IQ *On Status of Municipalities*, July 2, 1999.

³⁵ *Constitution of the Republic of Azerbaijan*, November 12, 1995.

economic and environment fields. This may include the general development of urban or rural areas or specific tasks such as the development of city infrastructure (e.g., roads, telecommunication, etc.).

Establishing service divisions as separate legal entities. These units are created to perform tasks to meet the needs of the population within the territory governed by the Local Executive Authorities, in particularly through housing and community services. Given that no private organizations operate in this field, this service is mostly available through the agencies of the Local Executive Authority.

Elaborating and implementing projects and plans for the development of cities and/or regions. These specific programs are aimed at performing the concrete tasks. For example, the construction of additional roads or demolition of derelict buildings during the construction of a residential complex.

Performing other tasks ordered by the President of the Azerbaijan Republic.

local level.³⁶ These programs should respond to specific local community needs and aspirations. For example, they may include the construction of a park by the municipality at the request of the population.

Establishing legal entities to engage in various activities, including commercial activities, in order to meet the goals³⁷ of the municipality or municipal community. Enterprises can be established in order to render services to municipal population or to make profits, which are aimed at satisfying the financial needs of the municipality. Under special tax regimes, as may be established in municipal acts, these enterprises may enjoy tax benefits that would allow a reduction in the cost of production as well as increasing the quality of services rendered.³⁸ In comparison with the state owned enterprises rendering low quality services or expensive services of private businesses, municipal enterprises may successfully fill the middle niche. For example, most of the housing-communal services currently rendered by agencies of the Local Executive Authorities tend to be provided by the municipal enterprises instead;

Performing other tasks as may be required within the framework of self-governance to meet the needs of the citizens.

Land Related Issues

A Local Executive Authority is responsible for the following:

A municipality is responsible for the following:

³⁶ Article 144 of the *Constitution of the Republic of Azerbaijan*, November 12, 1995 and Articles 4, 5 and 6 of the *Law No.689-IQ On Status of Municipalities*, July 2, 1999.

³⁷ Article 34 of the *Law No.689-IQ On Status of Municipalities*, dated July 2, 1999.

³⁸ Article 10.2 of *Law No.244-IIQ On Local (Municipal) Taxes and Payments*, December 27, 2001.

Selling, leasing, and conducting other transactions of state land plots allocated within its authority.	Selling, leasing, and conducting other transactions of land plots allocated within its authority. ³⁹
Developing a plan for use of state land plots.	Developing and implementing a master plan for the use of municipal land plots and for construction work on municipal territories.
Establishing prices for land plots in accordance with relevant legislation.	Establishing prices of land plots in accordance with relevant legislation; ⁴⁰
Developing programs for the improvement and irrigation of land plots in the territories of cities and regions within the framework of the State program.	Developing programs for the improvement and irrigation of land plots in the municipal areas.
Ensuring protection and control over the use of water facilities. Developing and maintaining hygienic and sanitary standards.	Ensuring protection and control over the use of water facilities. Developing and maintaining hygienic and sanitary measures. ⁴¹
Supervising environmental impact of construction areas.	
Performing other tasks ordered by the President of the Azerbaijan Republic.	Other issues established in accordance with the legislation.

Transportation and Traffic Issues

A Local Executive Authority is responsible for the following:	A municipality is responsible for the following:
Developing urban and regional development plans.	Constructing, developing and maintaining local roads and transportation infrastructure. ⁴²
Initiating construction of facilities related to social and production infrastructure;	
Developing schemes and schedules of local public transportation systems, and licensing public transportation activity.	Developing and maintaining local transportation sector and selling fuel products.
Performing other tasks ordered by the President of the Azerbaijan Republic.	Performing other tasks as may be required within the framework of self-governance to meet the needs of the citizens.

Housing, Trade and Services Issues

A Local Executive Authority is responsible for the	A municipality is responsible for the following:
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³⁹ Article 4 of Law No.160-IIQ *On Management of Municipal Lands*, June 29, 2001.

⁴⁰ Article 10 of Law No.160-IIQ *On Management of Municipal Lands*, June 29, 2001.

⁴¹ Articles 4, 23 and 24 of Law No.160-IIQ *On Management of Municipal Lands*, June 29, 2001.

⁴² Articles 4.2 and 5 of the Law No. 689-IQ *On Status of Municipalities*, July 2, 1999.

following:

Managing and maintaining state housing funds, urban communal facilities, and road facilities.

Supervising urban and regional trade, public catering, consumer services; protecting consumers' rights; promoting development of other consumer services; and providing citizens with apartments and other housing and community services.

Maintaining the electrical, water pipeline, heating, and gas supply infrastructures.

Implementing urban and regional development plans.

Performing other tasks as may be ordered by the President of the Azerbaijan Republic.

Constructing, managing, and maintaining municipal housing funds.⁴³

Developing and maintaining trade, public catering, and consumer services at the local level.

Developing and maintaining water pipelines and sewage systems, as well as water facilities within municipal areas.⁴⁴

Performing other tasks as may be required within the framework of self-governance to meet the needs of the citizens.

Architectural and Protection of Historic Monuments

A Local Executive Authority is responsible for the following:

Registering architectural projects and designs.

Issuing permits for construction and building works projects on the sites of historical and architectural monuments, and performing other issues related to protection of historical and architectural monuments.

Performing other tasks as may be ordered by the President of the Azerbaijan Republic.

A municipality is responsible for the following:

Maintaining historic and architectural monuments within municipal areas.⁴⁵

Performing other tasks as may be required within the framework of self-governance to meet the needs of the citizens.

Issues Related to Social and Cultural Services

A Local Executive Authority is responsible for the following:

Carrying out the general management of bodies

A municipality is responsible for the following:

Developing and maintaining programs in the

⁴³ Article 4.2 of Law No.689-IQ *On Status of Municipalities*, July 2, 1999.

⁴⁴ Article 4.2. of the Law No.689-IQ and Articles 7,8, 19 and 20 of Law No.159-IIQ *On Water Economy of Municipalities*, June 29, 2001.

⁴⁵ Article 4.2 of Law No.689-IQ *On Status of Municipalities*, dated July 2, 1999.

responsible for education, culture, healthcare, social security, sport and physical education under city and regional authority.

Creating the condition necessary for raising children and youth, and taking necessary measures to develop their abilities and provide career-guidance.

Rendering assistance to pre-school, extracurricular education and school-related institutions; organizations targeting children and adolescents; and scientific and research organizations.

Establishing the general education fund for regional, city and city districts using its own resources, public education institutional network development planning, and ensuring compulsory general secondary education.

Establishing socio-cultural, sport and physical education facilities and organizing their activities, including creating better conditions for gymnastics and sport in residential areas and public resorts in accordance with the legislation.

Rendering health care to the population, which includes perpetrating and approving a program on the prevention of diseases and the strengthening of public health and environmental restoration in accordance with established rules.

Performing other tasks as may be ordered by the President of the Azerbaijan Republic.

sphere of education, healthcare, culture, social security, sport and physical education.⁴⁶

Creating the conditions necessary conditions for raising children and youth, and taking necessary measures to develop their abilities and provide career-guidance.

Developing and maintaining programs on assistance to pre-school and extracurricular education activities; organizations targeting children and adolescents; scientific and research organizations; and schools within municipal areas.

Providing aid to orphans, sick, elderly, and uncared for populations, and assisting talented children within municipal areas.

Assisting in the development of physical education and sports programs within municipal areas.

Establishing socio-cultural, sport and physical education facilities and organizing their activities, including creating better conditions for gymnastics and sport in residential areas and public resorts in accordance with the legislation.

Assisting unemployed populations within municipal areas and providing social security programs that are in addition to those provided for in State programs.

Performing other tasks as may be required within the framework of self-governance to meet the needs of the citizens.

Protection of Human Rights and Other Related Issues

A Local Executive Authority is responsible for the following:

Controlling the implementation of the Constitution of the Republic of Azerbaijan, Laws of the Republic of Azerbaijan, decrees of the President of the Republic of Azerbaijan, other normative and legal acts within its authority and on the relevant

A municipality is responsible for the following:

⁴⁶ Article 4 of Law No.689-IQ *On Status of Municipalities*, July 2, 1999.

territory; taking measures to protect the rights and freedoms of citizens; and facilitating the work of the courts and prosecutorial and other judicial bodies.

Receiving information from relevant sources on maintaining public order, addressing crime, and ensuring the protection of citizens' rights, freedoms and legal interests in the relevant territory.

Assisting in the conscription of citizens to active service, organizing and conducting periodical military training and basic military drills in accordance with legislation.

Issuing permits to conduct meetings, assemblies, demonstrations, street processions and pickets.

Receiving citizens, considering their applications, suggestions and complaints in the manner and within the period established by legislation, taking measures on these issues within its authority, and carrying out relevant activities through its subordinate enterprises, establishments and organizations within its authority.

In the case of natural disasters or other extreme situations, taking necessary measures for ensuring the functioning of enterprises, establishments and organizations, protecting state and private property health and rights, and preservation of public and private property, maintaining public order, protecting citizens'.

Receiving citizens, considering their applications, suggestions and complaints in the manner and within the period established by legislation,, following up issues within its authority, and carrying out relevant activities through its subordinate enterprises, establishments and organizations within its authority.⁴⁷

Financing and Budgeting

The prime sources of funding for Local Executive Authorities are allocations, subsidies and donations from the State Budget. Other sources of funding include non-budgetary contributions, credits and loans.

The prime sources of funding for a municipality are monetary assets receivable from taxes and other payments within municipal areas.

These payments include land and property tax payable by individuals residing in municipal areas, royalties on the extraction of natural resources, and tax on the profits of municipal enterprises and organizations.⁴⁸

Other financial sources for the municipal budget include fees payable for street advertisement stands, resort and hotel duties,

⁴⁷ Article 30 of Law No.689-IQ *On Status of Municipalities*, July 2, 1999.

⁴⁸ Article 43. Ibidem. Article 7 of Law No.772-IQ *On Financial Basis of Municipalities*, December 7, 1999 and Articles 4.1.3 and 8 of the *Tax Code of the Republic of Azerbaijan* as approved by Law No.905-IQ of July 11, 2000, and Article 8 of Law No.244-IIQ *On Local (Municipal) Taxes and Payments*, December 27, 2001.

parking fees, and other taxes and payments as may be adopted within the municipal area.⁴⁹

Donations and subsidies from the State Budget as well as any contributions, loans or credits accumulated in special non-budgetary funds are also allowed as financial sources for the municipal budget.⁵⁰

State property assigned to a Local Executive Authority includes assets allocated from the State Budget, assets of particular funds, state housing and residential funds, engineering, communications and infrastructure facilities, water pipelines, sewage systems, transportation facilities, land plots, natural areas, non-residential funds, enterprises, and other institutions aimed at promoting consumer services, and serving social and cultural purposes.

Municipal property shall include property granted by the State, those received as a result of activities of a municipality, and from other sources, which may include housing and community funds, social and cultural facilities, public facilities, land plots, engineering and communications, and infrastructure facilities, among others.⁵¹

Resolutions and Orders

A Local Executive Authority is entitled to issue resolutions and orders including legislative acts within its competence.

A municipality is entitled to issue local acts and orders within its competence;

Resolutions and orders of a Local Executive Authority are binding to all legal entities and individuals located and residing in the territory of the Local Executive Authority.

Local acts and orders of a municipality are binding to all legal entities and individuals located and residing in the municipal areas.⁵²

Resolutions and orders of a Local Executive Authority may be repealed by the President of the Azerbaijan Republic and the Constitutional Court of the Azerbaijan Republic.

Local acts and orders of municipalities may be only repealed by a court decision.⁵³

⁴⁹ Article 9 of the Law No.244-IIQ *On Local (Municipal) Taxes and Payments*, December 27, 2001.

⁵⁰ Article 7.1 of Law No. 772-IQ *On Financial Basis of Municipalities*, December 7, 1999.

⁵¹ Article 33 of Law No.689-IQ *On Status of Municipalities*, July 2, 1999.

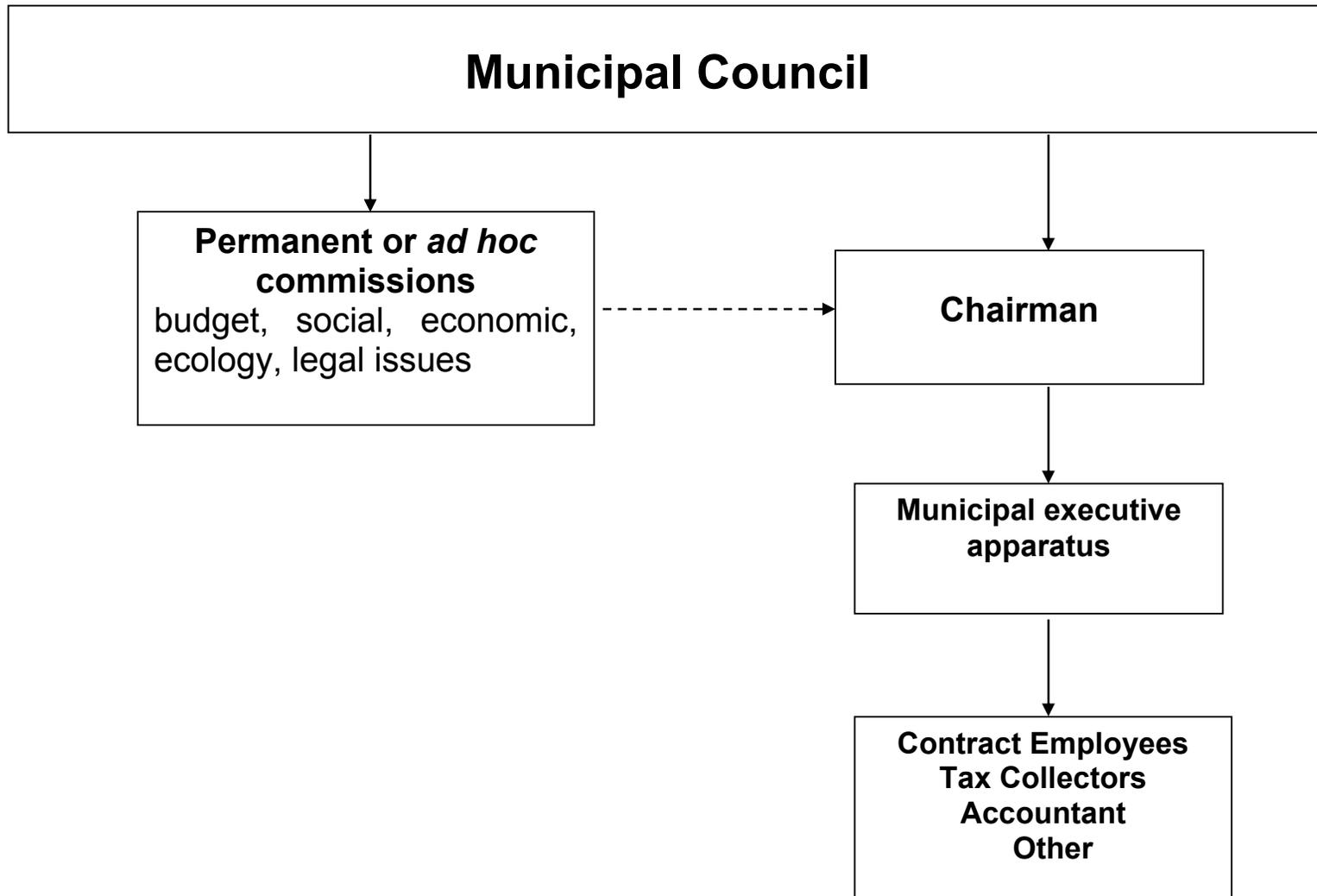
⁵² Article 48 of Law No.689-IQ *On Status of Municipalities*, July 2, 1999.

⁵³ Article 50 of Law No.689-IQ *On Status of Municipalities*, July 2, 1999.

ATTACHMENT FOUR

STRUCTURE OF MUNICIPAL GOVERNMENT

STRUCTURE OF MUNICIPALITY



ATTACHMENT FIVE

ASSESSMENT GRID

ASSESSMENT GRID

For each city, indicate the following:

I. Pertinent documents and demographics:

- a. Charter?
- b. Map of geographical boundaries?
- c. Population? How many are refugees? How many of these live outside the city and/or country? Any breakdown by ethnic status?
- d. Number of registered voters?
- e. Number of school-age children?
- f. Major industry or occupation?
- g. What taxes or fees are assessed and collected by the city?
- h. What taxes or fees are assessed and collected by the executive authority?
- i. What is the city's fiscal year?
- j. What were the total revenues and expenditures from last year's budget?
- k. How many schools in the city and what grades?
- l. What do people do for fun? How do they socialize?
- m. What is the employment rate for the city?
- n. What is the age and gender of the population?
- o. How many km of roads are under the city's jurisdiction? Who takes care of them?
- p. What is the condition of infrastructure generally – water/sewer, telephone, roads, garbage?
- q. Do they have a library? Museum? Cemetery?
- r. Do they have a hospital? Who runs it?
- s. What is the main form of transportation?
- t. Do they have a bus or train system? Who operates it?
- u. To what extent do people have access to computers?
- v. Are there any international companies doing business here?
- w. What other NGOs are working here?
- x. How much money has the state appropriated for this city and for what purposes?
- y. Is there any significant problem with crime in this city?
- z. What are the major health problems in this city?

II. Management and decision making structure

- a. How many councilors have been elected? When?
- b. What officers have been chosen by the council?
- c. How and when were they chosen?
- d. What are the duties of each officer?
- e. What is the background of each officer, briefly?
- f. Where are the municipal offices? How do these facilities compare with the Executive Authorities offices?
- g. Is there a public meeting space available?
- h. Do they have a bank account? With what bank?
- i. How do they pay their bills? And when?
- j. Do they have regular meetings?

- k. Are the meetings public?
- l. Who calls the meetings?
- m. Are agendas distributed before the meeting?
- n. Are there any rules governing the conduct of meetings?
- o. Are minutes of the meetings kept?
- p. Where are the records of the council kept?
- q. Can anyone see the records of the city?
- r. Does the city have a budget?
- s. Is the budget public? Or published?
- t. Does the city have a public hearing before adopting the budget?
- u. What is the role of the Council of Elders?
- v. Does the council have any committees or commissions? What are they?
- w. When and how do committees meet? How are members appointed?
- x. Are councilors paid for their duties as city councilors?
- y. Do councilors have staff?

III. Constituency Outreach.

- a. Do councilors have offices? Where?
- b. Do councilors meet with their constituents?
- c. How often? Where?
- d. Are there any upcoming planned meetings?
- e. Do councilors send out any information to constituents?
- f. Is there a local newspaper? Does it carry news of the council?

III. Service Provision

- a. What services does the city provide to its residents?
- b. What is the city council program for the year?
- c. What was the city council program last year?
- d. What services does the Executive Authority provide to residents?
- e. If residents of the city are upset about city services from whom do they seek assistance to solve the problem?

ATTACHMENT SIX

COMPARATIVE ANALYSIS OF PROJECT MUNICIPALITIES

COMPARATIVE ANALYSIS OF PROJECT MUNICIPALITIES⁵⁴

Indicators:	Barda	Ismayilli	Khatai	Masalli	Mingachevir
Population	64,000	13,000	320,000	9800	120,000
Area	75 sm	715hkt	577.2hkt	98hkt	14,000hkt
Rayon	Barda	Ismayilli	Khatai	Masalli	Mingachevir
Refugees	27,000	300	40,000	-	25,000
Regist'd Voters	26,000	4800	135,000	4900	50,000
Vot'd Last Elec.	14,054	3,360	67,500	2100	41,000
School Children	4300	4300	37,400	1600	20,000
Schools	16		34	3	20
Infrastructure	Poor	Poor	Poor	Poor	Poor
Infras.Rspons.	S	S	S	S	S
Cultural Institut.	S	S	S	S	S
ComputerAccess ⁵⁵	+	-	+	-	+
Police/Fire/Hosp.	S	S	S	S	S
Crime	NSP	NSP	NSP	NSP	NSP
Health	NSP	NSP	NSP	NSP	NSP
NGOs	3	2		3	4
Int. Corp.	0	0	0	0	0
Councilors	15	13	19	11	19
Officers	C,DC	C,DC	C,2DC	C,D,S	C,2DC
Commissions	4	3	5	2	5
Exec.Apparat.Com.	3	3	4	0	4
Budget	+	+	+	+	+
Taxes	+	+	+	+	+
Gov't Subsidy	+	+	+	+	+
Total Budget ⁵⁶	189,000,000	290,000,000	490,204,048	456,000,000	599,530,000
Charter	+	+	+	+	+
Minutes	+	+	+	+	+
Agenda	+	+	+	+	+
Regular Meetings	+	+	+	+	+
Annual Meetings	+	+	+	+	+
Public Participation	=	=	=	=	=
ConstituencyOutrch	0	0	0	0	0
Offices	+	+	+	+	+
Mun.Bldg.Owned	-	-	-	-	+
Local Media	+	+	+	0	+
Service Program	+	+	+	+	+
Prop.Transf.by S	0	0	Partial	0	0
Municip'l Enterprise	0	1	0	0	3

⁵⁴ Legend: + means yes, - means no, 0 means zero, = means unclear, S means the State or national government, NSP means no significant problem, C,D, S, means chair, deputy chair and secretary.

⁵⁵ This refers to whether the municipal offices have computers, not access within the city.

⁵⁶ Unfortunately, the figures are for different years – 2001, 2002 and even 2003. However, it is not likely that the amount have changed much from year to year.

ATTACHMENT SEVEN

**SAMPLE MUNICIPAL BUDGETS, WORKPLANS,
AND INTERNAL RULES**

*Approved by decision of Barda Municipality
at it's meeting, February 27, 2002*

Budget of Barda Municipality for 2002

Revenues

#	Description	Amount (Manat)
1	Land taxes from individuals	20,000,000
2	Property taxes from individuals	32,000,000
3	Mining taxes for construction materials	15,000,000
4	Payments for installation and distribution of street advertisements	4,000,000
5	Hotel fee	1,000,000
6	Cars parking fee	12,000,000
7	Rental of municipal lands	25,000,000
	Total	109,000,000
	Subsidy allocated from the state budget	80,000,000
	Grand total	189,000,000

Expenditures

#	Description	Amount
1	Salaries for staff members	637,000,000
2	Other payments regarding the salaries	15,000,000
3	Allocations for the state Social Protection Fund	15,000,000
4	Business trips	4,000,000
5	Purchase of fuel and lubricants and repair of vehicles	5,000,000
6	Purchase of stationary and materials	4,000,000
7	Payment for communication services	2,500,000
8	Payment for electricity	1,500,000
9	Payment for water	500,000
10	Payment for heating	1,000,000
11	Purchase and repair of furniture and equipment	5,000,000
12	Financing social and ecological programs	45,000,000
13	Cleaning the territory of the city	25,000,000
14	Other current expenses	2,000,000
	Total	189,000,000

Approved at the meeting of Ismayilli municipality,
December 26, 2001 (minutes #17)

Chairperson of Ismayilli municipality:

J. Hajiyeu

Budget of Ismayilli municipality for 2002

Revenues

Thousand Manat

	Revenues of local budget	240,000
1	Land taxes from individuals	62,000
2	Property taxes from individuals	144,000
3	Profit tax	-
4	Other revenues from property	
	a) fee for land lease	20,000
5	Other revenues that are not taxes	
	a) other revenues	8,000
6	Revenues from sale of lands and other assets	
	a) income from sale of lands	6,000
7	Funds allocated from the government:	
	a) subsidy	50,000
	b) donation	-
8	Budget funds at the beginning of the year	-

Expenditures

Thousand manat

I	Expenditure for management purposes, total	102,800
1	Salary	48,700
	a) salary for staff members	34,200
	b) salary for contractors	9,500
	c) other payments (monetary assistance and allocations for medical treatment)	4,000
	d) other payments regarding the salary	1,000
2	Social benefit payment from salary (30%)	14,610
3	Purchase of stationary, other goods and materials	5,000
4	Business trips, compensations to staff members	4,000
5	Payment for transport services	2,000
6	Payment for communication services	2,000
7	Payment for communal services	2,000
8	Purchase of inventory and equipment, their repair	5,490
9	Renovation of buildings	3,000
10	Other current expenditure	3,000
11	Purchase of vehicle	10,000
12	Construction of social, cultural and catering oriented buildings	2,000

13	Other constructions	-
14	Renovation of administrative and management buildings	2,000
II	Expenditure for Social-Protection Programs	127,000
1	Fields of education and culture	5,000
2	Construction and maintenance of intertown roads	25,000
3	Renovation of electrical and gas lines within the city	15,000
4	Maintenance and improvement of water and sewerage system of the city	5,000
5	Maintenance of cemetery, funeral services	3,000
6	Creation of conditions for organization of trade, communal and catering services	-
7	Creation of conditions for the mass media	1,000
8	Assistance to lonely people, elders, families of victims, war handicaps and poor families	10,000
9	Conduct of mass activities	3,000
10	Assistance to talented children	6,000
11	Improvement of sports	4,000
12	Creation and organization of new work places	50,000
III	Expenditure for Economic Development Programs	20,000
1	Organization and start of industrial enterprises	10,000
2	Development of agriculture	10,000
I	Expenditure for Ecological Programs	20,000
V		
1	Cleaning, planting trees and other plantings and maintenance of them	19,000
2	Assistance to conduct sanitary related activities	1,000
V	Expenditure from Reserve Fund	20,200
	Total expenditure	290,000

Budget of Ismayilli municipality for 2002

Revenues

#	Description	Amount in AzM
1.	Fee transferred from Road Police	109,768,869
2.	Property tax	40,363,752
3.	Land tax	37,433,073
4.	Lease fee	150,102,647
5.	Sale of land	3,494,400
6.	Bill boards	9,980,735
7.	Estimation	6,113,673
8.	Ecology	1,360,000
9.	Night and Day Parking	1,096,500
10.	Bus parking	1,717,000
11.	Garage	1,872,000
12.	Funeral	300,000
13	Subsidy received from the government	126,601,399
	Total	490,204,048

Expenditures (2001)

#	Description	Amount in AzM
1.	Salary	163,704,599
2.	Income tax from salaries	49,111,380
3.	Purchasing goods	135,770,889
4.	School repair	24,383,027
5	Repair of roads	138,403,510

Annual Work Plan of Masalli municipality for 2001

#	Description	Unit measure	Volume of work	Unit price	Amount	Responsible person
I	Management					
1	Privatization, lease or use of property within the municipality				10,000,000	A.Mammadov J.Hashimov
2	Sale, lease of lands physical and legal entities or submit them for usage				40,000,000	J.Hashimov N.Alishov
3	To transfer fees for hotel to municipal budget					J.Hashimov N.Mughanli
	Determination of budget					
4	Formation of municipal budget based on taxes collected and approval of reports on its implementation					J.Hashimov Municipal councilors
5	Assessment, collection and efficient usage of local taxes and payments				45,000,000	J.Hashimov A.Nadirov
6	Formation of budget and transfer of state subsidy and other revenues to it		During the year			J.Hashimov V.Mammadov
	Determination of local programs					
7	Approval of social protection and social development, economic development programs and implementation		During the year			J.Hashimov A.Hashimov
	Social and cultural services					
8	To take initiative to establish new places of rest for population and to allocate appropriate spaces for that		During the year			J.Hashimov A.Hashimov

9	To organize protection of persons who need social protection, including elders, those with no family, orphans and to render assistance to them		During the year			J.Hashimov A.Nadirov
10	Rendering monetary assistance to municipal councilors, staff members and contractors				10,000,000	J.Hashimov Y.Mahmudov
11	Rendering assistance to persons whose property suffered after earthquake, fire, flood etc.				25,000,000	J.Hashimov A.Nadirov
	Communal and transportation services					
12	To raise issue to the EA about improvement of water supply within the municipality. To achieve joint funding with other municipalities for laying water pipelines to the town		During the year			J.Hashimov I.Abdullayev
13	To raise an issue to the relevant bodies about improvement of heating of buildings, repair of sewage system and to achieve positive resolution		During the year			J.Hashimov F.Hashimov
14	To prepare and install additional metal containers for rubbish				20,000,000	J.Hashimov Y.Mahmudov
15	To collect fees from the citizens for daily collection of rubbish	1,000 from each family		During the month		J.Hashimov B.Gasimov
16	To allocate funds from the municipal budget for renovation of apartment buildings within the municipality				50,000,000	J.Hashimov M.Sultanov

17	To allocate funds from the budget for renovation of social and cultural oriented buildings				50,000,000	J.Hashimov M.Sultanov
18	To allocate funds from the budget for renovation of administrative buildings used by municipality, within the city				25,000,000	J.Hashimov A.Hashimov
19	To raise and issue to the transport department to improve regular transport services for population		Regularly			J.Hashimov Y.Mahmudov
20	Purchase of fuel and lubricants for chair's or councilors' cars if used for business purposes		During the year		10,000,000	J.Hashimov A.Abdullayev
21	Payment for telephone of municipality				6,000,000	J.Hashimov A.Abdullayev
22	Payment for electricity and improvement of power supply services		During the year		5,000,000	J.Hashimov A.Abdullayev
23	To administer paid parking places within the city and in Mir Javad bey Talishkhanov street		During the year			J.Hashimov F.Hashimov
	Cleaning and sanitary					
24	To take measures for construction, reconstruction and maintenance of roads and squares within the city, to asphalt roads	Km	8.0		100,000,000	J.Hashimov N.Mughanli
25	To clean central park, to plant trees and flowers there, to install lights in streets and in the park and to clean other public places		During the year			J.Hashimov V.Mammadov
26	To strengthen control over the planting trees or other plantings on				50,000,000	J.Hashimov F.Hashimov

	the streets, collection of rubbish and to form a working group for that, to pay them salaries					
27	To deal with cleaning of cemetery and to allocate funds if necessary		During the year			J.Hashimov A.Nadirov
	Keep of public rules					
28	To conduct special investigations together with Police Department in the Central Park and other public places for keeping public rules, for prevention of drug addiction and crime among the young people. To conduct educational work among the population		Regularly			J.Hashimov A.Nadirov
29	To implement regular activities to prevent conflicts between neighbors regarding the territory and roads, to control observance of legislation		Regularly			J.Hashimov N.Alishov
	Resolution of other important local issues					
30	Renovation of schools and kindergartens within the city. To supply them with wood and other heating materials. To allocate funds if necessary.		Regularly			J.Hashimov N.Alishov
31	To ensure conduct of meetings of municipality, to discuss urgent issues		Regularly			J.Hashimov Municipal councilors
32	To report to constituents and citizens about activities of Masalli		Twice a year			J.Hashimov Municipal councilors

	municipality					
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MINGACHEVIR MUNICIPALITY

Draft on revenues of local budget for 2003

(thousand manats)

Including	
599,530	Total Revenue
50,000	Land tax from individuals
30,000	Prop. tax from individuals
30,000	Mine taxes for construction materials
10,000	Profit tax from municipal enterprises and organizations
10,000	Payment for installations ads on billboards and for distribution
	Resort fee
5,000	Hotel fee
10,000	Car parking fee
20,000	Other local taxes and payments established by the law
10,000	Revenue from privatization of municipal property
20,000	Revenue from lease of municipal property
	Revenue from lottery
10,000	Other incomes from municipal activities
	Donations and grants of physical entities
	Donations and grants from legal entities
	Donations and grants of intern. organizations and foundations
394,530	Subsidy from government

Chief of finance department _____

Chief of budget department _____

Draft on expenditures from the local budget for 2003

(thousand manats)

Including		Payment for harm caused by enterprises and organizations while selling	Purchase of transport means	Renovation of apartments fund	Renovation of social, cultural and consumer oriented buildings	Renovation of administrative and management buildings	Renovation of roads	Other renovation works
Payment for current renovation of buildings	Other current expenditure							
20,000	40,000		100,000		50,000	60,000		

Chief of finance department _____

Chief of budget department _____

Including												
Payment for transport services	Including		Payment for communication services	Payment for communal services	Including						Payment for city cleaning services	Purchase and repair of furniture and equipment
	Purchase of fuel and lubricants	Payment for other transport services			Payment for electricity	Payment for gas	Payment for water	Payment for heating	Payment for lease of buildings	Payment for other communal services		
15,000	11,000	4,000	6,000	11,000	4,000		2,000			5,000	20,000	40,000

Internal Rules of Ismayilli

Regulation for conduct of meetings of Ismayilli Municipality

1. Chair of the meeting opens it
2. He/she announces about quorum
3. Asks participants to express their thoughts about the issues on agenda
4. Issues are discussed according to the order they appear on the agenda
5. 30 minutes are allocated for report
6. 5 minutes are allocated for speeches